

Revised Economic Opportunities Analysis for the City of Damascus

Prepared for

City of Damascus

by

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Executive Summary

This report presents an Economic Opportunities Analysis (EOA) for the City of Damascus consistent with the requirements of statewide planning Goal 9 and the Goal 9 administrative rule (OAR 660-009). A goal of this report is to provide data that will help the City establish a clear economic development direction that identifies the city's strengths and opportunities, and its position in the broader Portland metropolitan region.

KEY FINDINGS

Employment trends in the Portland Metropolitan Region have implications for employment growth in Damascus over the planning period:

- *Professional and business services provide one of Damascus' biggest economic development opportunities.* services provide one of Damascus' biggest economic development opportunities. Professional and business services accounted for the largest share of employment growth between 2001 and 2011, adding nearly 2,900 jobs. The State forecasts that employment in professional and business services will grow by nearly 3,800 jobs between 2004 and 2014. Damascus currently has a number of professional and business firms, which the City may be able to use as a basis for attracting other firms. Damascus' proximity to Portland, proximity to Portland International Airport, and community character may attract professional and business services to Damascus.
- *Retail trade will grow with increases in Damascus' population.* The City should expect to attract community and neighborhood retail facilities. Major retail, such as regional retail, are unlikely to locate in Damascus until the City has improved transportation infrastructure and a substantially larger population.
- *Damascus could see strong growth in construction trades.* The City will initial see strong growth in housing with some retail and services to support the resident population. This growth will create demand for construction jobs—some of which will locate in Damascus. The construction industry has experienced high growth historically, adding more than 2,600 jobs in Clackamas County between 2002 and 2007. The State forecasts that employment in construction will grow by more than 2,100 jobs between 2004 and 2014.
- *Until Damascus' infrastructure is developed, industrial development in Damascus may be dominated by small-scale specialty manufacturers.* For example, Damascus may attract the types of firms that have located in the Pioneer Industrial Park or Four Corners

Industrial Park. Development of the Sunrise Corridor may result in increased industrial development.

- *Damascus can expect growth in education and health services, especially as population grows.* The development of the Providence medical facility in Happy Valley may result in spill-over medical employment in Damascus. The City can expect growth in health services, but should not plan for a regional medical facility.
- *Clackamas County and Damascus have a larger share of home-based employment than the Portland region or state averages.* About 7% of Damascus' residents work from home, compared with 8% of residents of Clackamas County and 6% of residents of the Portland region. In addition, information from stakeholders indicates that home-based employment is an important component of Damascus' economy. In the short-term, home-based employment may increase in Damascus because the infrastructure needs of these types of employment are less than firms located outside of the home. As Damascus' infrastructure develops and these firms grow, they employ more people and need additional space for operations..

ECONOMIC OPPORTUNITIES AND SITE NEEDS

Table S-1 shows Metro's growth estimate for employment and demand for employment land in Damascus. To estimate the demand for land generated by employment growth, ECO used assumptions for the number of employees per acre from the Metro "Gamma" forecast for employment growth.

Over the 2015 to 2035 period, Damascus will add 2,560 new employees, requiring 110 net acres of land. \ Metro estimates that Damascus has 963 acres of land with employment capacity.

The Damascus City Council accepted the Metro forecast (in Table 4-3) on 11/19/2012 through resolution 12-324.

Table S-1. Demand for employment land (net acres) in Damascus by land use type, 2015–2035 and 2010-2035

Land Use Type	2015 to 2035			2010 to 2035		
	New Employment	Emp. Per Acre	Suitable Land Need	New Employment	Emp. Per Acre	Suitable Land Need
Retail and Service	1,719	30	57	1,898	30	63
Industrial	841	16	53	986	16	62
Total	2,560		110	2,884		125

Source: Metro "Gamma" forecast (September 2012) and ECONorthwest

The estimates for land need in Table S-1 do not include land needed for Regional Significant Industrial Areas for larger-scale employment uses. Large industrial sites provide unique opportunities for economic development because of the relative rarity of these sites within most communities. Large industrial sites

generally require services, such as transportation, water, and wastewater, before they develop. Even with these services available, these sites may remain undeveloped for long periods before a desirable firm wants to develop the site. Communities often experience pressure to allow commercial, retail, or residential development on large industrial sites. However, once these sites are developed for other uses, communities often find it difficult to replace the industrial sites.

Metro's Title 4 of the Urban Growth Management Functional Plan recognizes these pressures and addresses the need for Regional Significant Industrial Areas (RSIA). The purpose of the RSIA is to provide and protect a supply of industrial sites, as well as provide opportunities for clustering of industries that operate more productively and efficiently when located in proximity to one another. RSIA are sites near the region's most significant facilities for freight transportation.

The Damascus Boring Concept Plan documented Metro's estimate that the Damascus and East Happy Valley areas would accommodate about 364 acres of RSIA uses. Metro hopes that the City of Damascus will designate approximately 300 net acres for RSIA.

As the City has identified about 300 net acres of land that could meet the regional need for RSIA, as well as other land for employment centers and mixed-use. The 300 acres of land identified for RSIA includes some parcels larger than ten acres and one site about 50 acres in size. Developing the land identified for RSIA by multiple businesses that require sites larger than 25 or 50 acres will require site assembly.

A POTENTIAL ECONOMIC DEVELOPMENT STRATEGY FOR DAMASCUS

This section outlines a potential economic development strategy for Damascus. It begins with a set of principles and then describes a phased approach to economic development.

KEY PRINCIPLES

- Damascus should **work within the market** to implement its economic development strategy. The implication of this principle are that (1) the City will not try to force economic development at inappropriate times and locations, (2) the City will make strategic investments that help guide private investment, and (3) the City will track global, national, and regional industry trends and create opportunities to respond to this trends.
- Focus on the basics. Jobs won't come if the City doesn't focus on fundamentals: **good infrastructure, good schools, and quality of life**. Other important elements include parks and greenspaces, connectivity, pedestrian and bicycle access, and other community amenities such as a library or community center.

- Infrastructure is key to economic development. The City should **coordinate infrastructure investment** with land use designations. This means that the City will plan for adequate capacity to serve growth in the long term. It also means that the City will not expect development to occur until that capacity is available and that it will seek to make that infrastructure available at points when the market can most immediately respond.
- Jobs will not come without housing. The EOA anticipates a range of economic activity in Damascus from retail and services to industrial uses. This means Damascus should plan for a range of housing types including **workforce housing** (housing that is affordable to households in the 60% to 100% of median family income range).
- Strategically let **services** lead the way. The EOA concludes that retail and service industries will develop along with population. Services include a broad range of activities, including traded sector and base industries.
- Take advantage of the rural environment. While Damascus will not always be rural, it can adopt policies that will help **maintain a rural setting**—even with urban densities. This can be accomplished through policies that restrict development in hazardous areas and protect natural resources. It can also be accomplished through good urban design and attention to vegetation, scenic vistas, and building design.
- Encourage entrepreneurial activities. Damascus currently has a lot of **home-based employment**. The City should take advantage of this and adopt policies that support and encourage home-based occupations. Sell existing amenities: businesses and residents can enjoy access to recreation, green living, and are close to the airport. Schools, trails, and lots of semi-private meeting space options (e.g., cafes, restaurants, conf rooms, public squares, parks with services, etc) are important as well as and an infrastructure plan that supports this goal (including telecom).
- Go green. Damascus has an opportunity to be a model for **sustainable development**. It should consider approaches like green building and design, preservation of natural resources, alternative transportation, and mixed-use development. The City should consider an “eco-industrial park.”¹ This strategy could reduce infrastructure costs while creating a unique environment for business.

¹ There is a wealth of literature and case studies on Eco-industrial parks. The Smartgrowth network has compiled a series of case studies that help define the concept and how it has been applied in other communities:
http://www.smartgrowth.org/library/eco_ind_case_intro.html.

A PHASED STRATEGY FOR ECONOMIC DEVELOPMENT

Consistent with the principles above, Damascus should consider a phased economic development strategy. Such a strategy recognizes the City's financial and infrastructure limitations. The strategy requires patience, but also gives the City time to assess and refine its economic development strategy. The length of each phase will depend on the amount of time it takes the City to develop and begin to implement its Comprehensive Plan, as well as the time it takes to develop services.

Phase I – Support existing trends (1-5 years)

This phase should focus in the initial steps in the transition. It should accommodate the existing economic base (including the agricultural operations)—and work with that base to seek transitional strategies.

This phase would focus on entrepreneurial activities. The City should meet with proprietors of home-based businesses to assess what they need from the City to continue doing business, as well as develop and adopt a liberal home-based occupation ordinance. This process should seek direct input on how to promote and expand these activities—and more importantly, how to sustain them in the long-term.

The City should also consider development standards that allow for some expansion of services to support a growing population, but to limit retail expansion to appropriate locations. The City should expect pressure for commercial development along the Highway 212 corridor. One way to mitigate that pressure is to expand opportunities at what is the de facto city center: Highway 212 and SE Foster Road. The emphasis should be on creating amenities to support a growing population, but to avoid overbuilding retail and services in a manner that precludes development of a future city center.

Phase II – Targeted investment (6-12 years)

This phase should focus on expanding small business opportunities, green building, and strategic infrastructure investments. Phase II is probably the most challenging phase in this strategy. It will build on Phase I—encouraging entrepreneurial activities, but marks the first major economic transition for the City. This transition should include the first major industrial or business sites, and should coincide with development of higher density housing.

The City should explore opportunities to service a major employment site (up to 100 acres) in this phase. Identifying the site may be a challenge—locations near cost-effective infrastructure may be limited and the fragmented parcelization pattern will probably be an issue.

Recruitment should focus on businesses that do not have significant transportation demands. Marketing should focus on community amenities and the City's long-term vision. If that includes a green building or sustainability component, the City should actively market those factors.

Phase III – Build the economic base (13-20 years)

Phase III will focus on developing a complete community. This would potentially include development of a city center. The economic development activities would focus on expanding amenities that support the overall vision. Expansion of small businesses would be accommodated through infrastructure improvements, additional housing, and more services.

The City would also focus on targeted traded sector industries. Since the Sunrise Corridor will not be developed during this planning horizon, the emphasis on industries with minimal transportation requirements should continue.

Introduction

This report presents an Economic Opportunities Analysis (EOA) for the City of Damascus consistent with the requirements of statewide planning Goal 9 and the Goal 9 administrative rule (OAR 660-009). Goal 9 states that the EOA is “an analysis of the community's economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends” and states that “a principal determinant in planning for major industrial and commercial developments should be the comparative advantage of the region within which the developments would be located.” Goal 9 requires that cities identify site needs to accommodate industrial and other employment growth expected over the planning period, including estimating the number and characteristics of sites needed.

BACKGROUND

In 2002, the Portland Metropolitan government expanded the Portland Metro Urban Growth Boundary (UGB) to include the unincorporated community of Damascus, located on the southeastern fringe of the Metro area. The City of Damascus incorporated in 2004.

The current development patterns in Damascus are low-density, rural development with a few retail services. As a newly incorporated city, Damascus does not have an adopted and acknowledged land use plan. As an incorporated city, Damascus is required by ORS 197.005 to develop a comprehensive plan. As of 2007, the City was in the process of developing a comprehensive land use plan. The City is coordinating the land use planning with planning for urban services, including sanitary sewer, wastewater treatment, and municipal water systems.

Statewide planning Goal 9 (Economy) requires local land use plans to address economic development policies and goals. This report presents technical analysis and research designed to help the City develop the economic element of the City's comprehensive plan in accordance with Goal 9 and the administrative rules implementing Goal 9 (OAR 660-009).

REVISIONS TO THE ECONOMIC OPPORTUNITIES ANALYSIS

This report is an update to the EOA report, dated February 2008. The primary reason for the revision to the EOA was the update the fact-base for the EOA to reflect changes in the economy over the past five years and to incorporate new Census data. The conclusions and recommendations in the EOA have not substantially changed from the February 2008 report. The updates in the EOA include:

- **Census data.** This report incorporates two types of updates to Census data: (1) recognition of Damascus as a Census place and (2) newly available Census data.

- When the February 2008 report was developed, Damascus was not a place recognized by the U.S. Census Bureau. The February 2008 report presented data for Damascus using an area that approximated the City based on Census Tracts. Damascus is now a city recognized by the Census. The revised report presents household data from the Census for the City of Damascus.
- Data from the 2010 Decennial Census data and 2011 American Community Survey data are now available for Damascus.
- **Metro forecasts.** In September 2012, Metro completed revisions to the regional forecasts of employment growth, referred to as the Metro “Gamma” Forecast. This report incorporates Metro’s revised forecasts for employment growth in Damascus. The report no longer includes references to the range of growth forecasts from Metro from 2007.
- **Other updates.** This document includes other updates that reflect changes in Damascus or the Portland Region since 2008.

Some information in this report has not be updated because the City had little development between 2007 and 2012. For example, information about parcel fragmentation and land use in Damascus in 2007 was not updated as part of the revision to the report.

FRAMEWORK FOR ECONOMIC DEVELOPMENT PLANNING IN OREGON

The content of this report is designed to meet the requirements of Oregon Statewide Planning Goal 9 and the administrative rule that implements Goal 9 (OAR 660-009). The Land Conservation and Development Commission adopted amendments to this administrative rule in December 2005.² The analysis in this report is designed to conform to the requirements for an Economic Opportunities Analysis in OAR 660-009 as amended.

1. *Economic Opportunities Analysis (OAR 660-009-0015).* The Economic Opportunities Analysis (EOA) requires communities to identify the major categories of industrial or other employment uses that could reasonably be expected to locate or expand in the planning area based on information about national, state, regional, county or local trends; identify the number of sites by type reasonably expected to be needed to accommodate the expected employment growth based on the site characteristics typical of expected uses; include an inventory of vacant and developed lands within the planning area designated for industrial or other employment use; and estimate the types and amounts of industrial and other employment uses likely to occur in the planning area. Local governments are also encouraged to assess community economic development potential through

² The amended OAR 660-009, along with a Goal 9 Rule Fact Sheet, are available from the Oregon Department of Land Conservation and Development at <http://www.oregon.gov/LCD/econdev.shtml>.

a visioning or some other public input based process in conjunction with state agencies.

2. *Industrial and commercial development policies (OAR 660-009-0020).* Cities with a population over 2,500 are required to develop commercial and industrial development policies based on the EOA. Local comprehensive plans must state the overall objectives for economic development in the planning area and identify categories or particular types of industrial and other employment uses desired by the community. Local comprehensive plans must also include policies that commit the city or county to designate an adequate number of employment sites of suitable sizes, types and locations. The plan must also include policies to provide necessary public facilities and transportation facilities for the planning area.
3. *Designation of lands for industrial and commercial uses (OAR 660-009-0025).* Cities and counties must adopt measures adequate to implement policies adopted pursuant to OAR 660-009-0020. Appropriate implementing measures include amendments to plan and zone map designations, land use regulations, public facility plans, and transportation system plans. More specifically, plans must identify the approximate number, acreage and characteristics of sites needed to accommodate industrial and other employment uses to implement plan policies, and must designate serviceable land suitable to meet identified site needs.

This report is an Economic Opportunities Analysis, the first key element required by Goal 9. This EOA includes an analysis of national, state, regional, and county trends as well as an employment forecast that leads to identification of needed development sites. This report does not include an analysis of infrastructure development needed to accommodate future economic activity. That analysis is provided in a separate memorandum “Fiscal impact analysis for the City of Damascus” dated February 29, 2008.

The City of Damascus incorporated in 2004. In the 2008 version of the EOA, determining population, socioeconomic, and demographic trends for Damascus was complicated because the City was newly incorporated. Since incorporate and the 2008 version of this report, information for the Damascus city limits has become available from the 2010 Decennial Census and the Census’ 2007 to 2011 American Community Survey.

In a typical EOA, historical trends provide some context for future growth and development. However, population characteristics of residents of Damascus in 2000 are not readily available through the Census. For Damascus, historical trends are not very useful as a predictor of type, rate, and character of future growth. At the time this report was written, the City did not have an adopted land use map and did not permit urban density development within the City.

While the comprehensive land use plan will ultimately determine the amount and location of land in Damascus that is designated for employment, the EOA is a

useful tool at this point in the planning process. It provides a context for land use decisions by documenting what type of employment was in the City in 2010, how regional trends might influence community development, and by identifying key economic opportunities for Damascus.

ORGANIZATION OF THIS REPORT

The remainder of this report is organized as follows:

- **Chapter 2, Context for growth in Damascus** summarizes historic economic trends that affect current and future economic conditions in Damascus.
- **Chapter 3, Factors affecting future economic growth in Damascus** summarizes Damascus' comparative advantages.
- **Chapter 4, Employment Land Needs in Damascus** provides a range of employment growth for Damascus and summarizes the sites needed for industrial and other employment uses in Damascus for the 2007 to 2027 period.
- **Chapter 5, Conclusions** summarizes key conclusions from the economic opportunities analysis and their implications for Damascus.

This report also includes one appendix:

- **Appendix A, Review of National, State, Regional, County, and Local Trends** describes national, state, and local economic trends that will influence the regional economy. It reviews local factors affecting economic development in Damascus and advantages, opportunities, disadvantages, and constraints these factors may present.

Context for Economic Growth in Damascus

Chapter 2

This chapter summarizes national, state, regional, county, and local trends affecting economic growth in Damascus. Each heading in this section represents a key trend that will affect Damascus's economy and economic development potential. A more detailed analysis of economic trends is presented in Appendix A.

POPULATION GROWTH AND IN-MIGRATION

Population growth in Oregon tends to follow economic cycles. Oregon's economy is generally more cyclical than the nation's, growing faster than the national economy during expansions and contracting more rapidly than the nation during recessions. This pattern is shown in Table 2-1, which presents data on population in for the 1990–2010 period.

Table 2-1 shows population changes over the 1990-2010 period for Oregon, the Willamette Valley, Portland Region, and selected counties in the Portland Region. During the 1990-2010 period, the Portland Region³ grew faster than Clackamas County, the Willamette Valley, or Oregon. The region grew at 1.9% annually and added 702,268 residents. Over the same period, Clackamas County added 97,142 people at an average rate of 1.5% annually. Population growth in Clackamas County accounted for 14% of the growth in the Portland Region.

Population estimates for Damascus were not developed until the City incorporated in 2004. In 2010, the City of Damascus had 10,539 residents according to the U.S. Decennial Census.

Table 2-1. Population in Oregon, the Willamette Valley, Portland Region, and selected counties, 1990-2010

Area	Population			Change 1990 to 2010		
	1990	2000	2010	Number	Percent	AAGR
Oregon	2,842,321	3,421,399	3,831,074	988,753	35%	1.5%
Willamette Valley	1,962,816	2,380,606	2,684,933	722,117	37%	1.6%
Portland-Van.-Hills MSA	1,523,741	1,927,881	2,226,009	702,268	46%	1.9%
Clackamas County	278,850	338,391	375,992	97,142	35%	1.5%
Damascus			10,539	NA	NA	NA

Source: U.S. Census, 1990, 2000, and 2010.

Notes: Benton, Clackamas, Lane, Linn, Marion, Multnomah, Polk, Washington, and Yamhill Counties represent the Willamette Valley Region.

³ This report refers to the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA) as the Portland Region. The Portland-Vancouver-Hillsboro MSA consists of Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

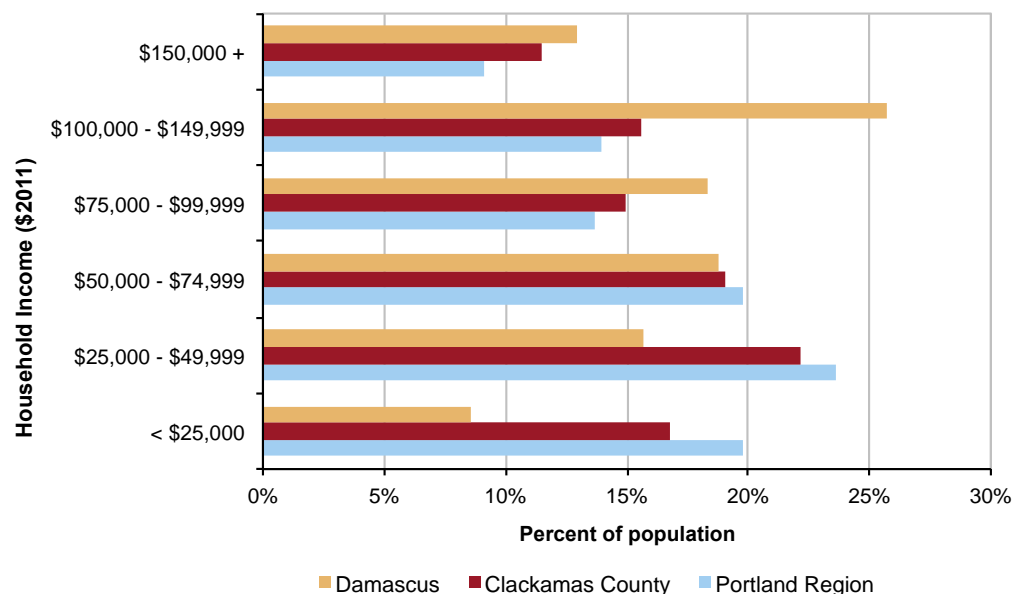
Migration is the largest component of population growth in Oregon. According to information from the Portland State University Population Research Center, Oregon had net interstate in-migration (more people moved *to* Oregon than moved *from* Oregon) of more than 669,700 people during the period 1990-2010, which accounted for 68% of Oregon's population growth over the period. The share of population growth from in-migration was higher during the 1900's (73% of population growth) than for the 2000-2010 period (61% of population growth). In-migration accounted for 50% of growth in the Oregon portion of the Portland MSA between 2000 and 2010, with over 108,000 people moving to the Region during the period. In Clackamas County, in-migration accounted for 67% of population growth (37,483 people) during the ten-year period.

PERSONAL INCOME

Residents of Clackamas County and Damascus have higher incomes, on average, compared to the State or the Portland Region. Figure 2-1 shows the distribution of household income of the Portland Region and Clackamas County in 2011. In 2011, Clackamas County had a larger share of the population with higher incomes than the Portland Region. Twenty-five percent of Clackamas County residents had incomes over \$100,000 in 2011, compared to 22% of Portland residents.

Median household income in Damascus for the 2007-2011 period was \$83,772, higher than Clackamas County (\$63,790) or the Portland Region (\$57,307).

Figure 2-1. Distribution of household income of the Portland Region, Clackamas County, and Damascus, 2007-2011



Source: American Community Survey, 2007-2011, B19001.

EMPLOYMENT TRENDS IN THE PORTLAND REGION

Employment trends in the Portland Region have mirrored national trends in the last few years. The U.S. economy is beginning to recover from its deepest recession since World War II. The recession was brought about by instability of financial and housing markets and has impacted Oregon in a variety of ways, most notably with the labor market showing high unemployment and the housing market's oversupply of homes. While the national economy may begin to recover from the recession in 2010, the recovery may be a "jobless" recovery, where job growth is sluggish, even as production of goods and services begin to increase and the housing market begins to show signs of recovery. Oregon has seen gradual employment increases since the beginning of 2010.⁴

According to the Oregon Office of Economic Analysis (OEA), Oregon added nearly 19,000 jobs between the second quarter of 2011 and the second quarter of 2012. Recent job growth has been slow but continuous, at about 1.2% per year, which is less than half of the average growth rate during an expansion year. The OEA predicts continued slow growth.

Unemployment in the region follows the same basic trajectory as the national trend, but differs in magnitude. During the 1990s, unemployment remained roughly one point below the national average. However, since 2000, regional unemployment has hovered above the national average, by as much as 2 percentage points. The unemployment rate in Clackamas County has historically remained slightly below the rate for the Portland Region as a whole. In the most recession, unemployment in Clackamas County and the Portland Region peaked in March 2010, at 11.1% and 11.7% respectively. In October 2012, the unemployment rate was 7.5% in Clackamas County and the Portland Region.

SHIFTS IN EMPLOYMENT BY SECTOR

The mix of employment by industry changed substantially between the 2001 to 2011 period. In general, industrial employment decreased and employment in service industries increased.

Figure 2-2 presents the change in covered employment by industry from 2001 to 2011 in Clackamas County. Over the ten-year period, Clackamas County added 3,332 jobs. In terms of the overall number of new jobs, Health and Social Assistance added the most (4,707), followed by Accommodations & Food Services and Professional, Scientific & Technical Services. The share of total jobs in Health and Social Assistance increased from 9% in 2001 to 12% in 2011.

Employment in Manufacturing decreased by 2,190 jobs between 2001 and 2012, a 12% decrease. This reflects the nationwide trend away from manufacturing economy to a service and knowledge-based economy. The Construction and Real

⁴ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2012, Vol. XXXII, No. 3., Page 6-7.
<http://www.oregon.gov/DAS/OEA/docs/economic/forecast0912.pdf>

Estate Rental & Leasing sectors, showing the effects of the collapse of the national housing market bubble, each lost over 1,000 jobs in Clackamas County over the ten-year period.

Figure 2-2. Change in employment, Clackamas County, 2001-2011

Sector	2001	2011	Change from 2001 to 2011			
			Difference	Percent	AAGR	Share
Agriculture, Forestry, Fishing, & Mining	4,167	3,987	(180)	-4%	-0.4%	0%
Construction	9,324	8,320	(1,004)	-11%	-1.1%	-1%
Manufacturing	18,187	15,997	(2,190)	-12%	-1.3%	-2%
Wholesale	10,384	10,485	101	1%	0.1%	0%
Retail	17,648	16,680	(968)	-5%	-0.6%	-1%
Transportation, Warehousing & Utilities	4,439	4,105	(334)	-8%	-0.8%	0%
Information	1,725	1,888	163	9%	0.9%	0%
Finance & Insurance	5,186	4,845	(341)	-7%	-0.7%	0%
Real Estate Rental & Leasing	3,115	2,107	(1,008)	-32%	-3.8%	-1%
Professional, Scientific & Technical Services	5,569	6,854	1,285	23%	2.1%	1%
Management of Companies	1,078	1,452	374	35%	3.0%	0%
Admin. Support & Cleaning Services	6,636	6,764	128	2%	0.2%	0%
Education	1,112	2,364	1,252	113%	7.8%	1%
Health & Social Assistance	11,910	16,617	4,707	40%	3.4%	3%
Arts, Entertainment & Recreation	1,681	1,935	254	15%	1.4%	0%
Accommodations & Food Services	9,835	11,223	1,388	14%	1.3%	1%
Other Services (except Public Admin.)	5,426	5,437	11	0%	0.0%	0%
Private Non-Classified	79	61	(18)	-23%	-2.6%	0%
Government	16,497	16,209	(288)	-2%	-0.2%	-1%
Total Covered Employment & Payroll	133,998	137,330	3,332	2%	0.2%	0%

Source: Oregon Employment Department; calculations by ECONorthwest

Across all industries, the average covered wage in the Oregon portion of the Portland Region has displayed notable appreciation. The average wage has risen from \$37,846 in 2001 to \$49,411 in 2011, an increase of 31%, or a little over the rate of inflation. Industries displaying the greatest wage appreciation include Wholesale Trade (48%), Manufacturing (40%), and Information (39%). Wages in Retail Trade and Arts, Entertainment, & Recreation failed to keep pace with inflation.

In 2011, the sectors with more than 5,000 employees in Clackamas County and the highest average wages are Professional, Scientific & Technical Services (averaging \$71,326 annually), Wholesale Trade (\$57,983), Manufacturing (\$55,345), and Health and Social Assistance (\$50,226). The sectors with high levels of employment and below average wages were Accommodations & Food Services (averaging \$16,559 annually), Retail (averaging \$26,944 annually), and Admin Support and Cleaning Services (\$30,918).

HOME-BASED EMPLOYMENT

Damascus features a higher percentage of workers who report working from home than at the regional, state, or national level. The 2007-2011 American Community Survey estimated that 7.1% of Damascus residents work at home, compared to 7.8% in Clackamas County, 6.1% in the Portland Region, 6.3% in Oregon, and 4.2% nationwide.

Information from stakeholder interviews and other sources indicate that home-based industries are an important component of Damascus' economy. According to staff with Clackamas County's Business and Economic Development Department, the majority of inquiries from businesses looking for commercial or manufacturing space in Damascus are from local companies, often operating from a residence, that need a larger space to increase their operations. These companies include a variety of specialty manufacturing or assembly work, as well as businesses needing office space.

EMPLOYMENT IN DAMASCUS

Table 2-2 shows covered employment by sector and industry within the City of Damascus for 2010. The data in Table 2-5 is based on confidential records for individual employers provided to the Oregon Employment Department. Table 2-5 does not report employment in sectors where there were fewer than three firms or where one firm accounts for greater than 80% of employment in order to maintain the confidentiality of individual employers.

Table 2-2 shows that Damascus had 290 establishments with 1,588 covered workers. Between 2005 and 2010, Damascus' employment decreased by 348 jobs or 22%, compared loss of 2% of employment in the Portland Region. Businesses in Damascus were generally smaller than the Regional average, with 4.3 employees per establishment compared to the Regional average of 14 employees per establishment.

The sectors with the largest level of employment in 2010 were Agriculture, Construction, and Retail. Together these sectors accounted for 731 jobs or about 59% of employment in Damascus.

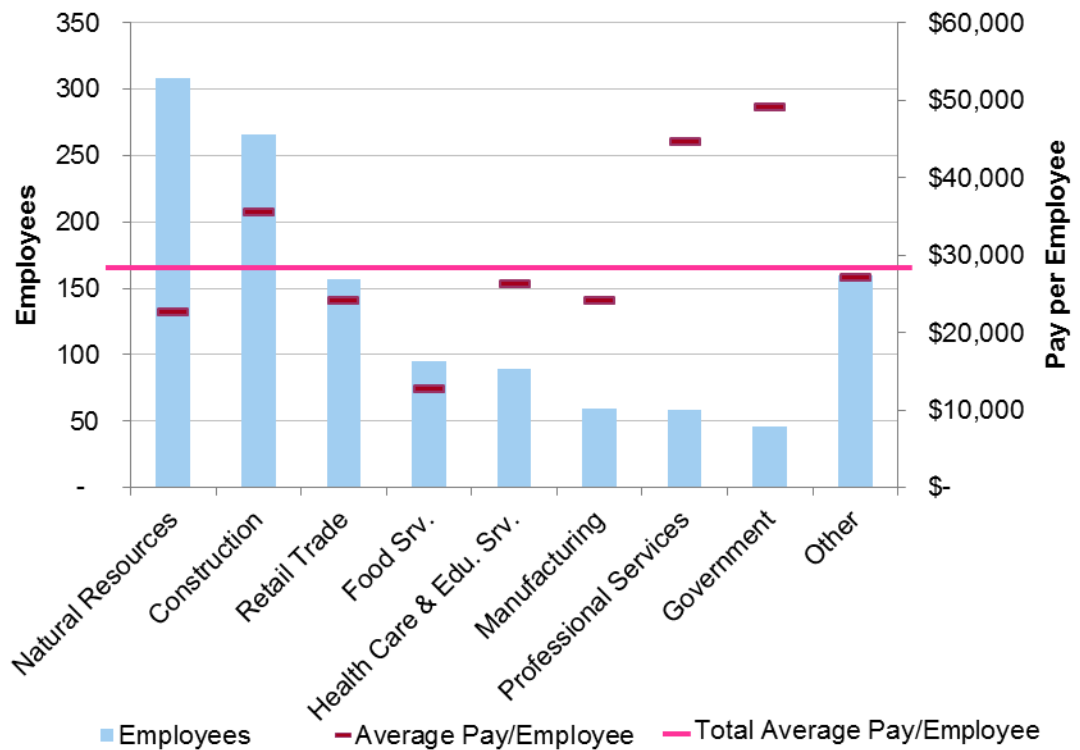
Table 2-2. Covered employment in the City of Damascus by sector and industry, 2010

Sector / Industry	Establish-ments	Employees		Payroll	
		Number	% of Total	Total	Average Pay/Emp.
Agriculture, Forestry, and Mining	14	308	25%	\$ 6,955,338	\$ 22,582
Crop Production	11	295	24%	\$ 6,358,533	\$ 21,554
Other Agriculture, Forestry, and Mining	3	13	1%	\$ 596,805	\$ 45,908
Construction	103	266	21%	\$ 9,473,045	\$ 35,613
Construction of Buildings	28	43	3%	\$ 1,295,014	\$ 30,117
Heavy and Civil Engineering Construction	7	9	1%	\$ 536,697	\$ 59,633
Specialty Trade Contractors	68	214	17%	\$ 7,641,334	\$ 35,707
Manufacturing	10	59	5%	\$ 1,424,702	\$ 24,147
Wholesale Trade and Transportation	20	22	2%	\$ 801,094	\$ 36,413
Wholesale Electronic Markets	16	14	1%	\$ 560,680	\$ 40,049
Other Wholesale Trade	4	8	1%	\$ 240,414	\$ 96,195
Retail Trade	11	157	13%	\$ 3,793,973	\$ 24,165
Transportation and Warehousing	5	2	0%	\$ 73,009	\$ 36,505
Finance and Insurance	10	26	2%	\$ 1,187,471	\$ 45,672
Real Estate and Rental and Leasing	14	23	2%	\$ 517,626	\$ 22,505
Professional, Scientific, and Technical Srv.	31	58	5%	\$ 2,586,244	\$ 44,590
Admin., Support and Waste Mgt. Services	15	29	2%	\$ 720,393	\$ 24,841
Health Care, Social Assist., and Private Educ. Srv	15	89	7%	\$ 2,347,883	\$ 26,381
Ambulatory Health Care Services	6	32	3%	\$ 1,107,765	\$ 34,618
Other Health Care and Edu. Srv	9	57	5%	\$ 1,240,118	\$ 21,756
Arts, Entertain., Accom., and Food Srv.	13	95	8%	\$ 1,204,466	\$ 12,679
Other Services	27	60	5%	\$ 1,125,851	\$ 18,764
Religious, Grantmaking, and Similar Org.	6	26	2%	\$ 463,536	\$ 17,828
Personal and Laundry Services	3	15	1%	\$ 177,377	\$ 11,825
Repair and Maintenance	7	12	1%	\$ 415,657	\$ 34,638
Other Services	11	7	1%	\$ 69,281	\$ 9,897
Government	2	46	4%	\$ 2,261,814	\$ 49,170
Total	290	1,240	100%	\$ 34,472,909	\$ 27,801

Source: Confidential Quarterly Census of Employment and Workforce (QCEW) data provided by Metro, from the Oregon Employment Department. Summary by sector and industry, percent of total employment, and average payroll per employee by ECONorthwest.

The average pay for covered employees in 2010 was \$27,801, well below the Portland Regional average of about \$47,660. Figure 2-3 shows a comparison of employment and average pay per employee by sector in 2010. Agriculture had the greatest share of employment and below average pay per employee. Construction was also a large employer in Damascus and had above average pay per employees. Most other sectors had average or below average wages, except for Government and Professional and Scientific services, which had the highest pay per employee.

Figure 2-3. Employment and pay by sector, Damascus, 2010

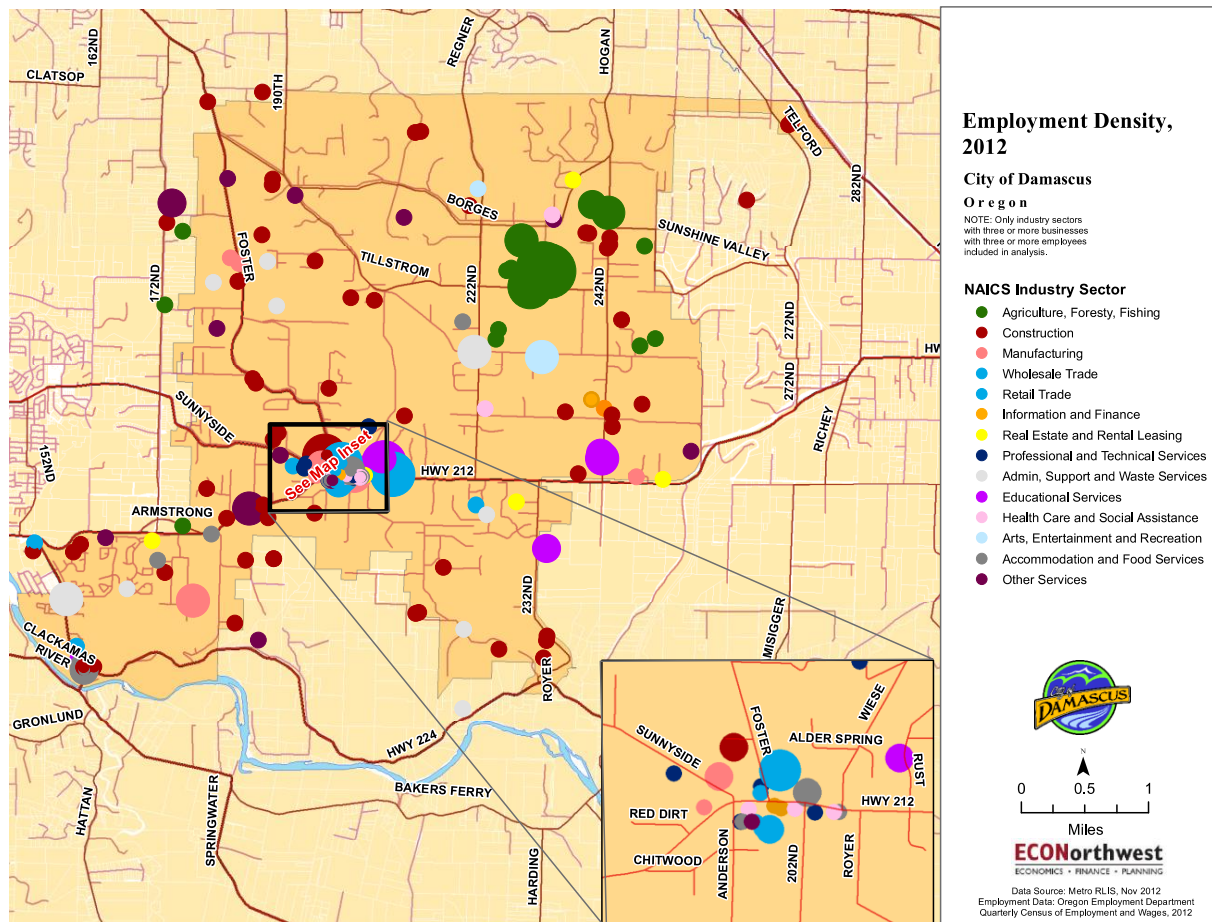


Source: Oregon Department of Employment, calculations by ECONorthwest.

Note: Other includes: Administration Support and Waste Management Services, Finance and Insurance, Real Estate, Wholesale Trade, Transportation and Warehousing, and Other Services.

Map 2-1 shows places of employment in Damascus by industrial sector, according to the Oregon Employment Department. Employment is concentrated in three major areas: the Highway 212 and Sunnyside Road intersection, near the residential subdivisions and the intersection of Highway 224, and Springwater Road in the south west portion of the City.

Map 2-1. Employment centers in Damascus, 2010



Source: Metro RLIS, May 2007; Oregon Department of Employment 2010; map by ECONorthwest

Map 2-2 shows all of the employers in Damascus with more than four employees. While employment is distributed throughout the entire city, there are only two major employment centers. One is located on Tillstrom, between 222nd and 242nd Avenues. Much of the City's agriculture, forestry and fishing employment is located in this area. These firms are not served by major transportation routes. These firms employ local workers and commute times should not be largely adversely affected by their location.

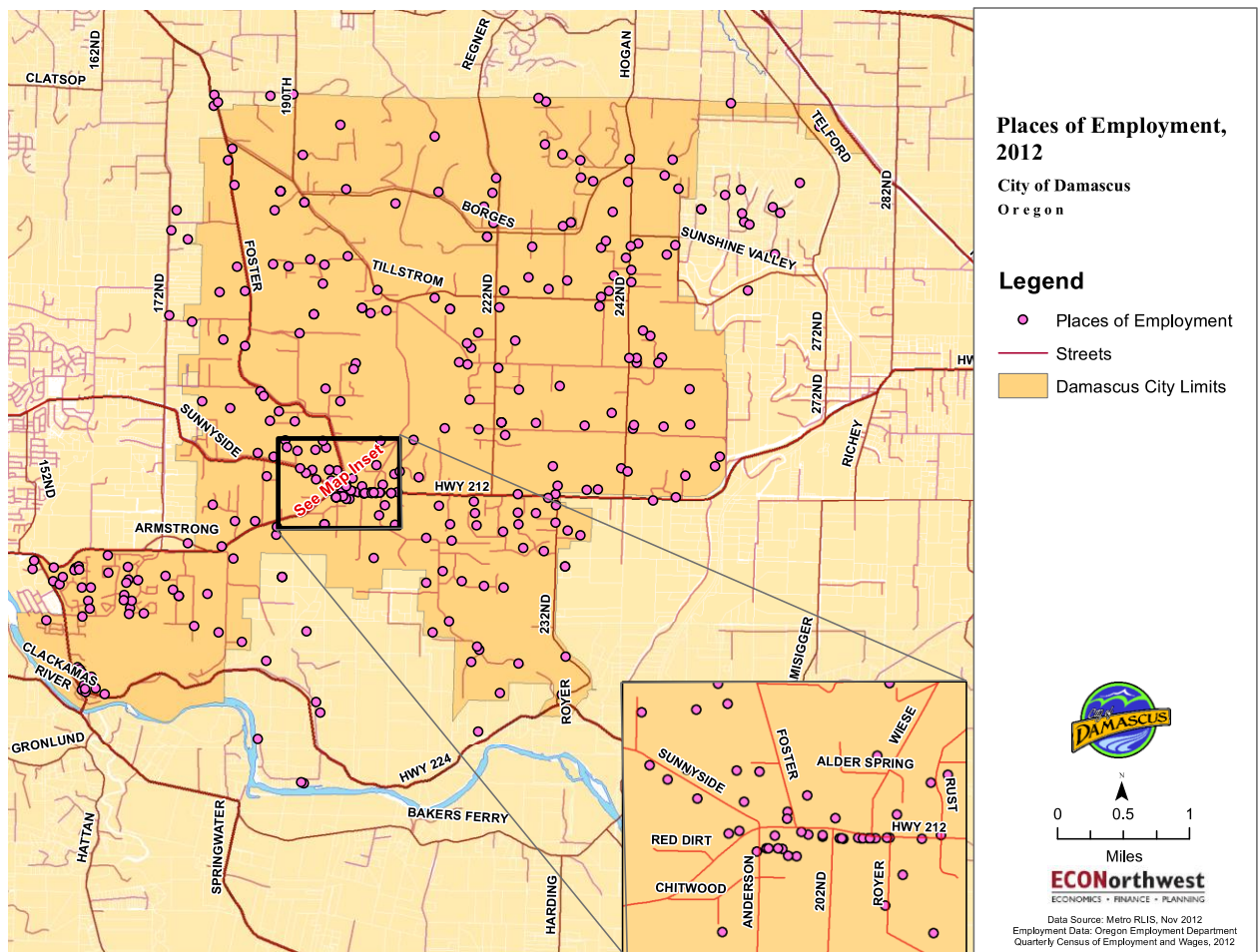
Another area for employment, shown in the Map 2-2 inset, is on Highway 212, near its intersection with Highway 224 and Foster Road. Almost all of the City's retail and wholesale trade, manufacturing, accommodation and food services, and administrative services jobs are located in this area. These businesses are served by major transportation connectors, including Highways 212 and 224, and Foster

Road. Much of the remaining employment in Damascus is comprised of small firms, primarily operating in the construction sector.

Most of the retail and wholesale employers are located near the intersection of Highway 212 and Sunnyside Road. Some are located near the residential subdivisions in the southwest part of the City. These firms employ an average of roughly 5 people. Four of the 11 food services and accommodation enterprises are located at the Highway 212 and Sunnyside Road intersection. Four more are located at the intersection of Highway 224 and Springwater Road. These firms employ an average of seven people.

Smaller firms, usually employing fewer than five people, are scattered uniformly across the rest of Damascus. Many of these are probably in-home businesses. This pattern is shown in Map 2-2.

Map 2-2. All employers in Damascus, 2007



Source: Metro RLIS, May 2007; Oregon Department of Employment 2010; map by ECONorthwest

EMPLOYMENT PROJECTIONS

Table 2-3 shows the Oregon Employment Department projections for future growth by industry in Clackamas County for 2010 to 2020. The strongest growth is projected in Health Care & Social Assistance. Strong growth is also projected for Construction, Retail Trade, and Administration & Support Services.

Table 2-3. Projected Growth by Industry, Clackamas County, 2010 – 2020

Sector/ Industry	2010	2020	Change	
			Number	Percent
Natural Resources & Mining	4,520	5,890	1,370	30.3%
Construction	8,480	11,330	2,850	33.6%
Manufacturing	15,610	17,960	2,350	15.1%
Durable Goods	12,560	14,760	2,200	17.5%
Primary and fabricated metal manufacturing	2,030	2,490	460	22.7%
Computer and electronic product manufacturing	3,140	3,590	450	14.3%
Nondurable Goods	3,050	3,210	160	5.2%
Trade, Transportation, & Utilities	31,180	36,600	5,420	17.4%
Wholesale Trade	10,360	12,140	1,780	17.2%
Retail Trade	16,360	18,930	2,570	15.7%
Food and beverage stores	3,560	4,240	680	19.1%
General merchandise stores	3,500	4,060	560	16.0%
Transp., warehousing, & utilities	4,460	5,520	1,060	23.8%
Information	2,110	2,430	320	15.2%
Leisure & Hospitality	12,800	15,580	2,780	21.7%
Arts, entertainment, recreation	1,960	2,350	390	19.9%
Accommodation & Food Services	10,840	13,230	2,390	22.0%
Accommodation	980	1,130	150	15.3%
Food srvc. and drinking places	9,850	12,100	2,250	22.8%
Financial Activities	8,430	9,750	1,320	15.7%
Finance and insurance	4,750	5,720	970	20.4%
Real estate and rental and leasing	3,690	4,030	340	9.2%
Professional & Business Services	15,210	19,970	4,760	31.3%
Professional and technical services	7,000	9,050	2,050	29.3%
Administration and support srvc.	6,560	9,100	2,540	38.7%
Education and health services	18,980	24,960	5,980	31.5%
Educational services	2,260	3,050	790	35.0%
Health Care & Social Assistance	16,720	21,920	5,200	31.1%
Other Services	4,970	5,790	820	16.5%
Government	17,030	18,210	1,180	6.9%
Federal Government	1,330	1,210	-120	-9.0%
State Government	2,370	2,480	110	4.6%
Local Government	13,330	14,520	1,190	8.9%
Total Nonfarm Payroll Emp.	139,320	168,470	29,150	20.9%

Source: Oregon Employment Department, Projections by Industry 2010-2020.
<http://www.qualityinfo.org/pubs/projections/r15.pdf>

Table 2-4 presents Metro's projection for employment growth between 2010 and 2035. For the 2015 to 2035 planning period⁵, Metro forecasts that Damascus will add 2,560 jobs. Two-thirds of the jobs will be in retail and service sectors and one-third will be in industrial sectors.

⁵ ECO extrapolated 2015 employment based on the forecast of rate for employment growth from 2010 to 2025. For example, retail is forecast to have an average annual growth of 4.6% between 2010 and 2025. ECO used this growth rate to extrapolate that Damascus would have 325 retail jobs in 2015.

**Table 2-4. Projected Employment Growth,
Damascus, 2010 – 2035**

Year	Retail	Service	Other	Total
2010	260	357	908	1,525
2015	325	471	1,053	1,849
2025	510	822	1,418	2,750
2035	902	1,613	1,894	4,409
Change 2015 to 2035				
Employees	577	1,142	841	2,560
Percent	178%	242%	80%	138%
AAGR	5.2%	6.3%	3.0%	4.4%
Change 2010 to 2035				
Employees	642	1,256	986	2,884
Percent	247%	352%	109%	189%
AAGR	5.1%	6.2%	3.0%	4.3%

Source: Metro TAZ "Gamma" Forecasts, 9/19/2012

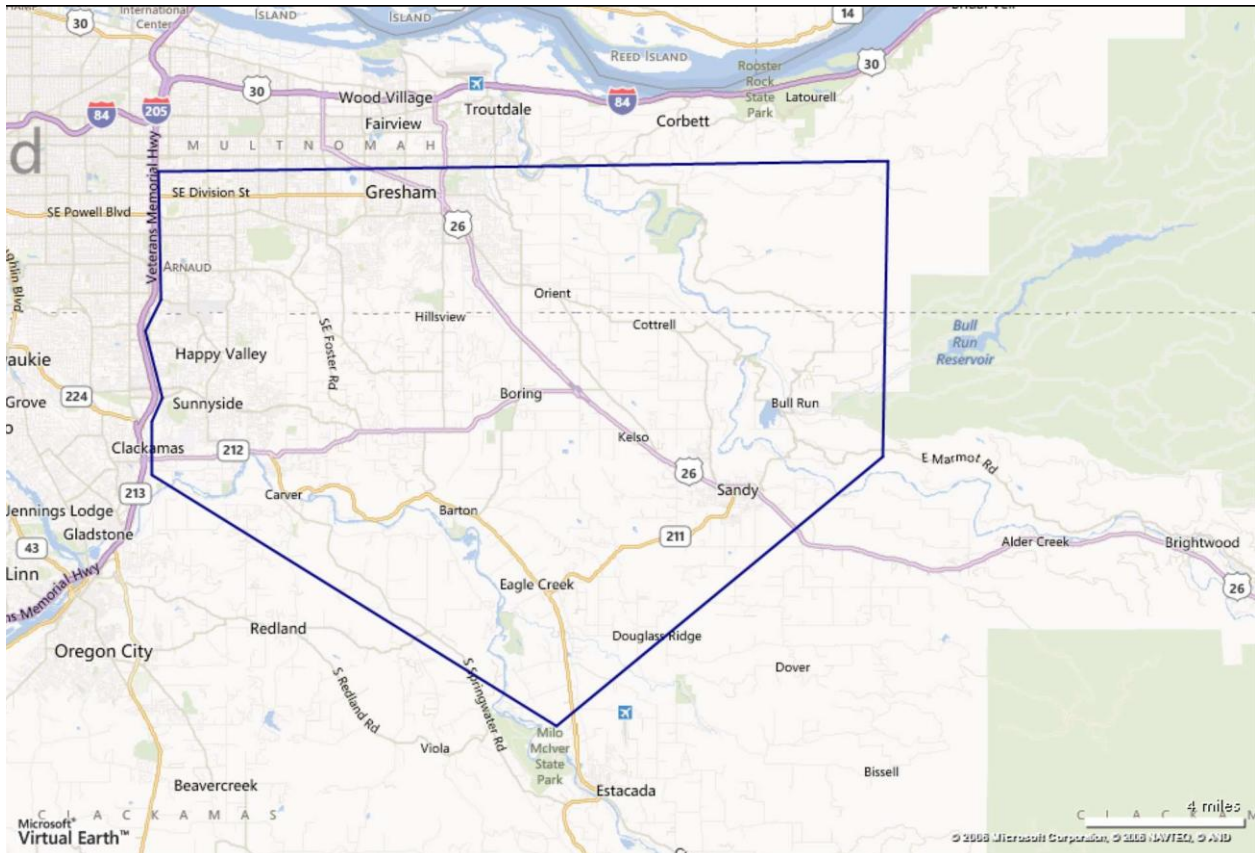
Note: The forecast was developed by transportation analysis zones to approximate the boundaries of the City of Damascus

Note: ECO extrapolated 2015 employment based on the forecast of rate for employment growth from 2010 to 2025. For example, retail is forecast to have an average annual growth of 4.6% between 2010 and 2025. ECO used this growth rate to extrapolate that Damascus would have 325 retail jobs in 2015.

REGIONAL BUSINESS ACTIVITY

A key issue facing Damascus relates to the rate of development, or absorption of built space. Demand for built space will affect demand for land. This section discusses recent absorption and vacancy trends for retail, office, and industrial in the area around Damascus. Figure 2-4 shows the geographic boundary of the area identified as the non-residential market near Damascus. The geographic boundary includes the commercial land just east of Interstate-205, east to Sandy, south to Eagle Creek, and the southern portion of Gresham.

Figure 2-4. Geographic boundary of non-residential market

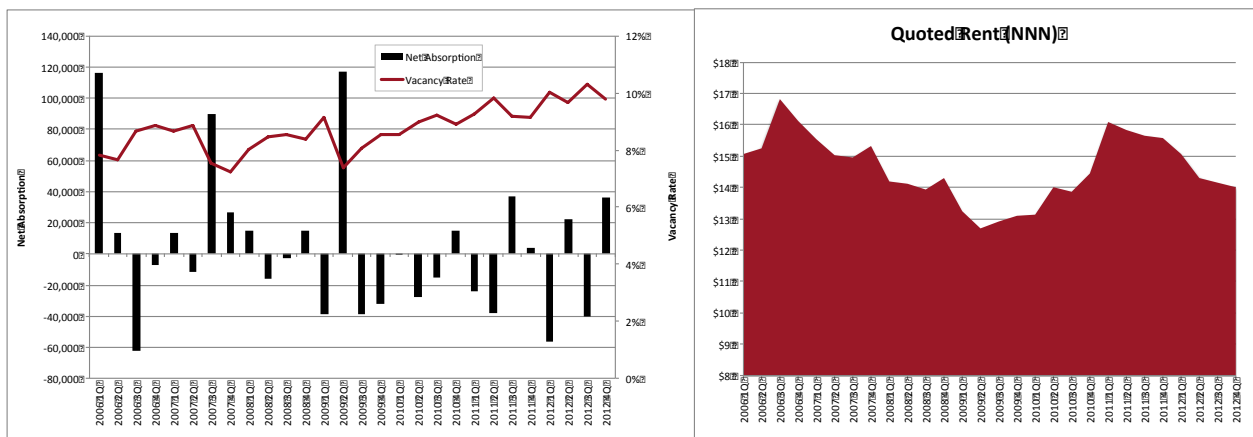


Source: ECONorthwest and CoStar.

The retail market within the geographic boundary is concentrated near interchanges along I-205 and along all the highway corridors. The amount of rentable retail space has changed very little since 2006. There were small increases up through 2009, and a small decrease since 2010. Overall, the total rentable retail space is the same as was in 2006.

Figure 2-5 shows the vacancy rate (right axis) and the net absorption (left axis). Since the middle of 2009, retail vacancy rates have steadily risen to about 10%. Net absorption, the amount occupied at the end of a period minus the amount occupied at the beginning of the period, has been either negative or very small since 2009. Figure 2-5 shows triple rent (NNN) rents, as reported by commercial real estate brokers.⁶ Retail rents in the area reached their lowest rates in mid-2009, at \$13 per SF per year. They rose up to \$15 in 2011 but have since dropped to \$14. These data show that the area saw decreased demand for retail during the recent recession, but demand for existing space has not recovered.

Figure 2-5. Retail vacancy rates, absorption, and rents, 2006 to 2012



Source: ECONorthwest and CoStar.

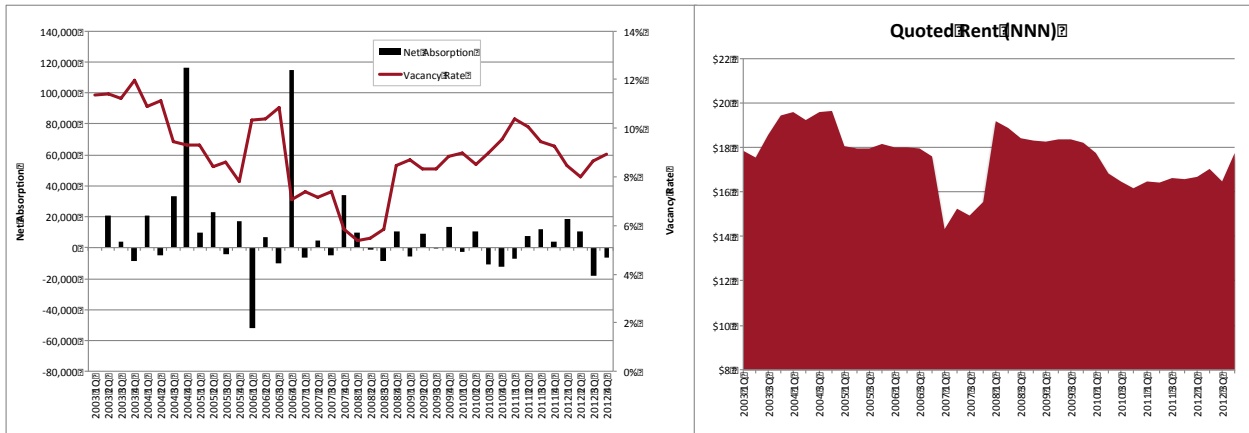
The office market within the geographic boundary is concentrated near interchanges along I-205 and in Gresham, with a small concentration in Sandy. The amount of rentable office space has increased by about 16% since 2003. There has been a very small net decrease in rentable square feet since the beginning of 2011.

Figure 2-6 shows the vacancy rate (right axis) and the net absorption (left axis). The vacancy rate for office space was at its lowest in early 2008 and rose steadily through 2011. Vacancies started to decline in 2012 to about 9%. Net absorption has been very small since 2008, fluctuating between negative and positive totals. Figure 2-6 shows triple rent (NNN) rents, as reported by commercial real estate brokers. Office rents in the area declined from \$18 per SF per year to \$14 in 2007, but recovered in 2008. There has been a gradual decline since 2008, with rents

⁶ Triple net (NNN) rent indicates the tenant pays for maintenance, insurance, and property taxes, as opposed to full service, where the landlord covers those costs. The data shown in this report has been normalized to NNN.

around \$17 by the end of 2012. These data show that the area has had reasonably steady demand for office space, even during the severe economic downturn.

Figure 2-6. Office vacancy rates, absorption, and rents, 2003 to 2012

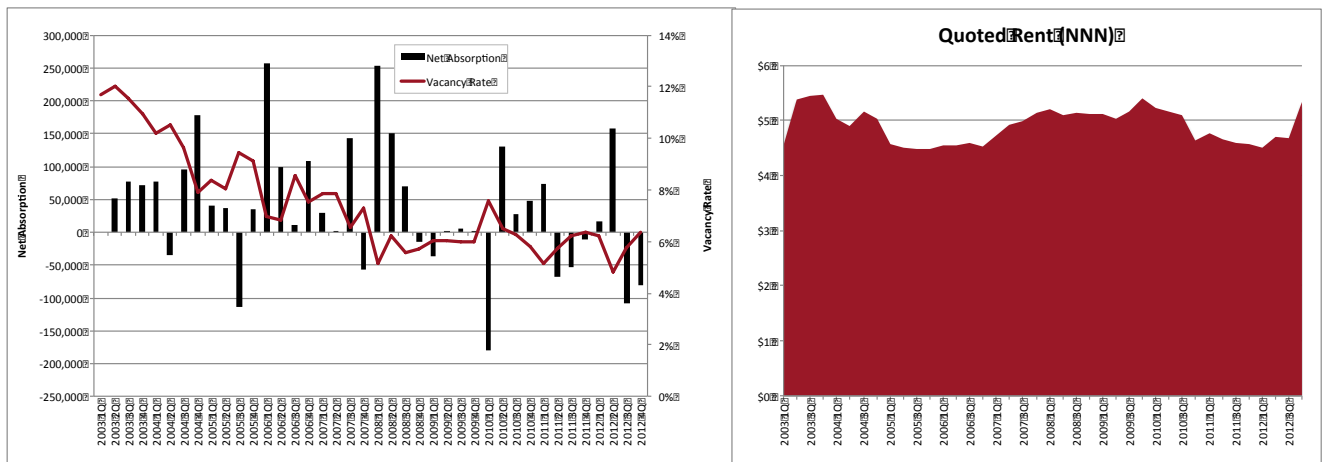


Source: ECONorthwest and CoStar.

The industrial market within the geographic boundary is concentrated near the interchange at I-205 and Highway 212, with smaller concentrations near other interchanges and in Gresham and along Highway 26. The amount of rentable industrial space has increased by about 10% since 2003.

Figure 2-7 shows the vacancy rate (right axis) and the net absorption (left axis). The vacancy rate for industrial space has steadily declined since 2003, hovering near 6% at the end of 2012. Net absorption has fluctuated since 2008, with a mix of positive and net changes over time. Figure 2-7 shows triple rent (NNN) rents, as reported by commercial real estate brokers. Industrial rents in the area have held steady, between \$4.50 and \$5.00 per SF per year. These data show that the area has had reasonable steady demand for industrial space, despite the severe economic downturn.

Figure 2-7. Industrial vacancy rates, absorption, and rents, 2003 to 2012



Source: ECONorthwest and CoStar.

The regional economic trends are supportive of an assumption of robust regional growth over the planning horizon in the Portland metropolitan area. The nature of projected growth by sector indicates support for a wide range of prospective product types in the County, including significant industrial and commercial growth. The City of Damascus will have difficulty attracting many of these prospective opportunities, primarily as a result of the area's limited regional access. Development is occurring in areas directly adjacent to Damascus, including the Pleasant Valley and Springwater areas of Gresham, which are located along Damascus' northern border.

- **Pleasant Valley** is a 1,532-acre area in the southwest of Gresham, which was added to Gresham's Urban Growth Boundary in 1998. Pleasant Valley is located at Damascus' northwestern boundary and is connected to Damascus via 172nd Avenue and Foster Road. Plans for development in Pleasant Valley include compact mix-use neighborhoods, a town center, and a variety of housing options. Employment uses in Pleasant Valley will generally focus on commercial and retail businesses, located in the town center, other employment districts or home-based work.
- **Springwater** is a 1,272-acre rural area in the southeast of Gresham, most of which was annexed by Gresham in 2002. Springwater is located at Damascus' northeastern boundary. Springwater is connected to Damascus via 242nd Avenue, which becomes SE Hogan Road.

Springwater was identified as a Regionally Significant Industrial Areas (RSIA). Gresham's plans for development in Springwater include industrial and high-tech campuses, a village center with mixed retail and housing, and high quality low-density residential development in areas with slopes. Gresham is targeting low-impact industries with a focus on sustainability, including: software; nanotechnology; medical devices; forestry and agricultural biotechnology; transportation equipment; renewable energy technologies; company headquarters; and recreational equipment.

One example of the types of uses that may be expected in Springwater is the redevelopment of the 160-acre Brickworks site, located along Hogan Road. The City is considering rezoning the site from heavy industrial use to allow a high amenity corporate or business park.

Existing commercial and retail development in Clackamas County may be indicative of the type of facilities or firms that may choose to locate in Damascus, once the City has resolved infrastructure limitations. Some examples of economic activity in Clackamas include:

- **Pioneer Industrial Park**, located in Canby, has 200 acres of "site certified" land available for development. Occupants of the industrial park range in size from small-scale manufacturers to larger scale manufacturers. They product a variety of products: municipal water

pumps, manhole components, industrial glass, steel products, medical supplies, fly fishing equipment, granite products, and other products. Businesses in the industrial park have about 150 employees, with an expected increase of 100 full-time employees and at least 250 seasonal employees once the current expansion is completed.⁷

- **Four Corners Industrial Park**, located in Molalla, opened in the summer of 2007. Occupants of the industrial park include a medical implant manufacturing company and a polymer manufacturer.⁸
- **Regional distribution centers**, located on Highway 212 between Interstate 205 and the City of Damascus, serve the Portland region. The larger facilities include distribution centers for: Safeway, Fred Meyer, and Tree of Life. Smaller distribution facilities include: Bottom Line Distributing, Three J's Distributing, and Interstate Meat Distributing.⁹
- **Oregon Iron Works**, located in Clackamas and Vancouver, WA, produces a wide range of products: streetcars, hydro equipment, bridges, parts for nuclear vessels, boats, and aerospace equipment. The company's customers range from the military to the aerospace industry to the civil construction industry. Oregon Iron Works employs about 300 people.¹⁰
- **Providence medical facility**, a proposed facility in Happy Valley, is in the planning stages. The facility will include a hospital, medical offices, and supporting businesses.¹¹

IMPLICATIONS FOR DAMASCUS

Regional employment trends have several implications for employment growth in Damascus:

- The City of Damascus will have difficulty attracting industrial and commercial development opportunities available in other parts of Clackamas County as a result of the area's limited regional access.
- Damascus is forecast to add 2,560 jobs between 2015 and 2035, with two-thirds of jobs in retail and service sectors and one-third in industrial sectors.
- Until Damascus' infrastructure is developed, industrial development in Damascus may be dominated by small-scale specialty manufacturers,

⁷ Based on an interview with John Williams at the City of Canby

⁸ Molalla Pioneer, "City Celebrates completion of Four Corners Industrial Park," Abby Sewell, June 7, 2007

⁹ Based on an interview with Renate Mengelberg at Clackamas County.

¹⁰ Based on information from <http://www.oregoniron.com/>

¹¹ Based on an interview with Renate Mengelberg at Clackamas County.

like the types of firms that have located in the Pioneer Industrial Park or Four Corners Industrial Park. Development of the Sunrise Corridor may result in increased industrial development.

- Professional and business services provide one of Damascus' biggest economic development opportunities. Professional and business services accounted for the largest share of employment growth between 2001 and 2011, adding nearly 2,900 jobs. The State forecasts that employment in professional and business services will grow by nearly 3,800 jobs between 2004 and 2014. Damascus currently has a number of professional and business firms, which the City may be able to use as a basis for attracting other firms. Damascus' proximity to Portland, proximity to Portland International Airport, and community character may attract professional and business services to Damascus.
- Retail trade will grow with increases in Damascus' population. The City should expect to attract community and neighborhood retail facilities. Major retail, such as regional retail, are unlikely to locate in Damascus until the City has improved transportation infrastructure and a substantially larger population.
- Damascus could see strong growth in construction trades. The City will initial see strong growth in housing with some retail and services to support the resident population. This growth will create demand for construction jobs—some of which will locate in Damascus. The construction industry has experienced high growth historically, adding more than 2,600 jobs in Clackamas County between 2002 and 2007. The State forecasts that employment in construction will grow by more than 2,100 jobs between 2004 and 2014.
- Damascus can expect growth in education and health services, especially as population grows. The development of the Providence medical facility in Happy Valley may result in spill-over medical employment in Damascus. The City can expect growth in health services, but should not plan for a regional medical facility.
- Damascus has a larger share of home-based employment than the Portland region or state averages. About 7% of Damascus' residents work from home, compared with 8% of residents of Clackamas County and 6% of residents of the Portland region. In addition, information from stakeholders indicates that home-based employment is an important component of Damascus' economy. In the short-term, home-based employment may increase in Damascus because the infrastructure needs of these types of employment are less than firms located outside of the home. As Damascus' infrastructure develops and these firms grow, they employ more people and need additional space for operations.

Factors Affecting Economic Growth in Damascus

Chapter 3

Economic development opportunities in Damascus will be affected by local conditions as well as the national, state, and regional economic conditions discussed in Chapter 2. Factors affecting development in Damascus include its location, the availability of transportation facilities, labor market factors, and public facilities and services. Economic conditions in Damascus relative to these conditions in other portions of Clackamas County and the Portland region form Damascus's comparative advantage for economic development. Damascus' comparative advantages have implications for the types of firms most likely to locate and expand in Damascus.

There is little that Damascus can do to influence national and regional conditions that affect economic development. Damascus can influence local factors that affect economic development. Damascus has the opportunity to exert the most influence over the following factors:

- **Land available for economic activities.** The way the City designates land for economic use in its comprehensive plan and zoning ordinance can affect economic development. The most important considerations for land availability are (1) location in relation to transportation and other parts of Damascus; (2) the amount of each type of employment land (generally commercial and industrial) designated; and (3) the site characteristics of employment land.
- **Provision of infrastructure.** The City's policies about provision of infrastructure, especially roads and sanitary sewer, will affect economic development. Important factors in provision of infrastructure include when and where infrastructure will be provided and how much developers will pay for infrastructure.
- **Fiscal policies.** The City's fiscal policies can affect the economic development. Firms considering locating in the Portland Region will consider the cost of taxes and fees (e.g., property taxes or systems development charges) in Damascus relative to other jurisdictions in the Portland Region.

These factors are key components of Damascus' future comparative advantage. This chapter includes a summary of Damascus's comparative advantages for economic development and discusses the implications for the firms most likely to locate in Damascus.

WHAT IS COMPARATIVE ADVANTAGE?

Each economic region has different combinations of productive factors: land (and natural resources), labor (including technological expertise), and capital (investments in infrastructure, technology, and public services). While all areas have these factors to some degree, the mix and condition of these factors vary. The mix and condition of productive factors may allow firms in a region to produce goods and services more cheaply, or to generate more revenue, than firms in other regions.

By affecting the cost of production and marketing, comparative advantages affect the pattern of economic development in a region relative to other regions. Goal 9 and OAR 660-009-0015(4) recognizes this by requiring plans to include an analysis of the relative supply and cost of factors of production.¹² An analysis of comparative advantage depends on the geographic areas being compared. In general, economic conditions in Damascus will be largely shaped by national and regional economic conditions affecting the Portland region. Chapter 2 presents trends and forecasts of conditions in Portland and Damascus to help establish the context for economic development in Damascus. Local economic factors will help determine the amount and type of development in Damascus relative to other communities in the Portland region.

This chapter focuses on the comparative advantages of Damascus for economic development relative to the rest of Portland. The implications of the factors that contribute to Damascus's comparative advantage are discussed at the end of this chapter.

LOCATION, SIZE, AND BUYING POWER

Damascus is a community of approximately 10,575 people, located at the southeastern edge of the Portland Metro urban growth boundary (UGB). Damascus's proximity to Portland and inclusion in the Portland Metro UGB will have implications on economic development within the City.

- Highway 212 connects Damascus to Interstate 205, providing easy access to the Portland metropolitan area, including the Portland International Airport. To the east, Highway 212 also connects with Highway 26, giving Damascus access to Mt. Hood and the Columbia River Gorge.
- The greater Portland Region has more than 2.2 million residents. Damascus has access to workers and markets of the cities of the Portland metropolitan area. Damascus is located approximately 20 miles from downtown Portland and approximately 9 miles from Gresham. The City's

¹² OAR 660-009-0015(4) requires assessment of the "community economic development potential." This assessment must consider economic advantages and disadvantages—or what Goal 9 broadly considers "comparative advantages."

proximity to these cities gives Damascus access to the labor force, employment opportunities, and markets of these cities.

- Damascus is located close to major commercial and retail destinations, including Clackamas Town Center. Damascus is roughly a half hour drive from downtown Portland and has access to Portland's shopping, entertainment and cultural amenities.
- Unlike most cities within the Metro UGB, Damascus offers access to housing opportunities with a rural character and rural lifestyle options. Residents of Damascus have access to Portland's cultural amenities and employment opportunities. Overtime, the character of housing in Damascus will change from rural or more urban. However, Damascus will continue to provide access to rural amenities in Clackamas County and adjacent areas, while providing more urban amenities, like a wider variety of housing options, more employment opportunities, and additional cultural and shopping opportunities.

Damascus's size and the buying power of Damascus's markets may impact the types of businesses that choose to locate in Damascus.

Table 3-1 shows consumer and retail expenditures by category of consumable for all of Clackamas County for 2006. Household expenditure data for the City of Damascus was not available for 2006. Total expenditures in Clackamas County, including household and business expenditures, was approximately \$8.2 billion in 2006. The categories with the largest expenditures per household, accounting for more than 55% of expenditures, included: transportation, shelter, and food and beverages. Assuming that Damascus had 2.63% of the County's population and that Damascus household and businesses spending patterns were similar to the County averages, expenditures by Damascus residents were approximately \$216 million in 2006. Because Damascus has limited retail and service businesses, most of these expenditures probably occur outside of the City. This will change as the city adds housing and services to support housing.

**Table 3-1. Consumer and Retail Expenditures,
Clackamas County, 2006**

	Per HH	Total
Transportation	\$ 12,034	\$ 1,701,897,000
Shelter	\$ 11,629	\$ 1,644,657,000
Food and Beverages	\$ 9,144	\$ 1,293,128,000
Utilities	\$ 4,133	\$ 584,539,000
Health Care	\$ 3,619	\$ 511,850,000
Entertainment	\$ 3,373	\$ 476,986,000
Household Furnishings and Equipment	\$ 2,664	\$ 376,755,000
Contributions	\$ 2,285	\$ 323,193,000
Household Operations	\$ 2,188	\$ 309,386,000
Gifts	\$ 1,626	\$ 229,975,000
Education	\$ 1,468	\$ 207,544,000
Miscellaneous Expenses	\$ 996	\$ 140,826,000
Personal Care	\$ 867	\$ 122,669,000
Apparel	\$ 848	\$ 119,885,000
Personal Insurance	\$ 628	\$ 88,824,000
Tobacco	\$ 378	\$ 53,442,000
Reading	\$ 197	\$ 27,893,000
Total	\$ 58,077	\$ 8,213,449,000

Source: Oregon Prospector, accessed June 29, 2007.

Damascus's location, proximity to Portland, and mixture of urban amenities and rural housing and lifestyle opportunities are primary comparative advantages for economic development in Damascus.

AVAILABILITY OF TRANSPORTATION FACILITIES

Damascus' main transportation connection within the Portland Region is via Highway 212, which connects Damascus with Interstate 205 and Highway 26, providing easy access to Portland and Mt. Hood and the Columbia River Gorge. Residents and businesses in Damascus can access air and cargo transportation in Portland. Damascus is located approximately 20-miles from Portland International Airport. The Port of Portland provides access to container and bulk commodities shipping via ship, rail access, and numerous warehouses.

Map 3-1 shows average daily traffic volume for roads in Damascus and surrounding areas.¹³ An evaluation of average daily traffic levels from the Transportation Systems Monitoring Unit of the Oregon Department of Transportation (ODOT) shows that the most traveled road in Damascus is Highway 212. The area with the greatest traffic is the commercial center of the City, where Foster converges with Highway 212, with 22,300 vehicles daily.

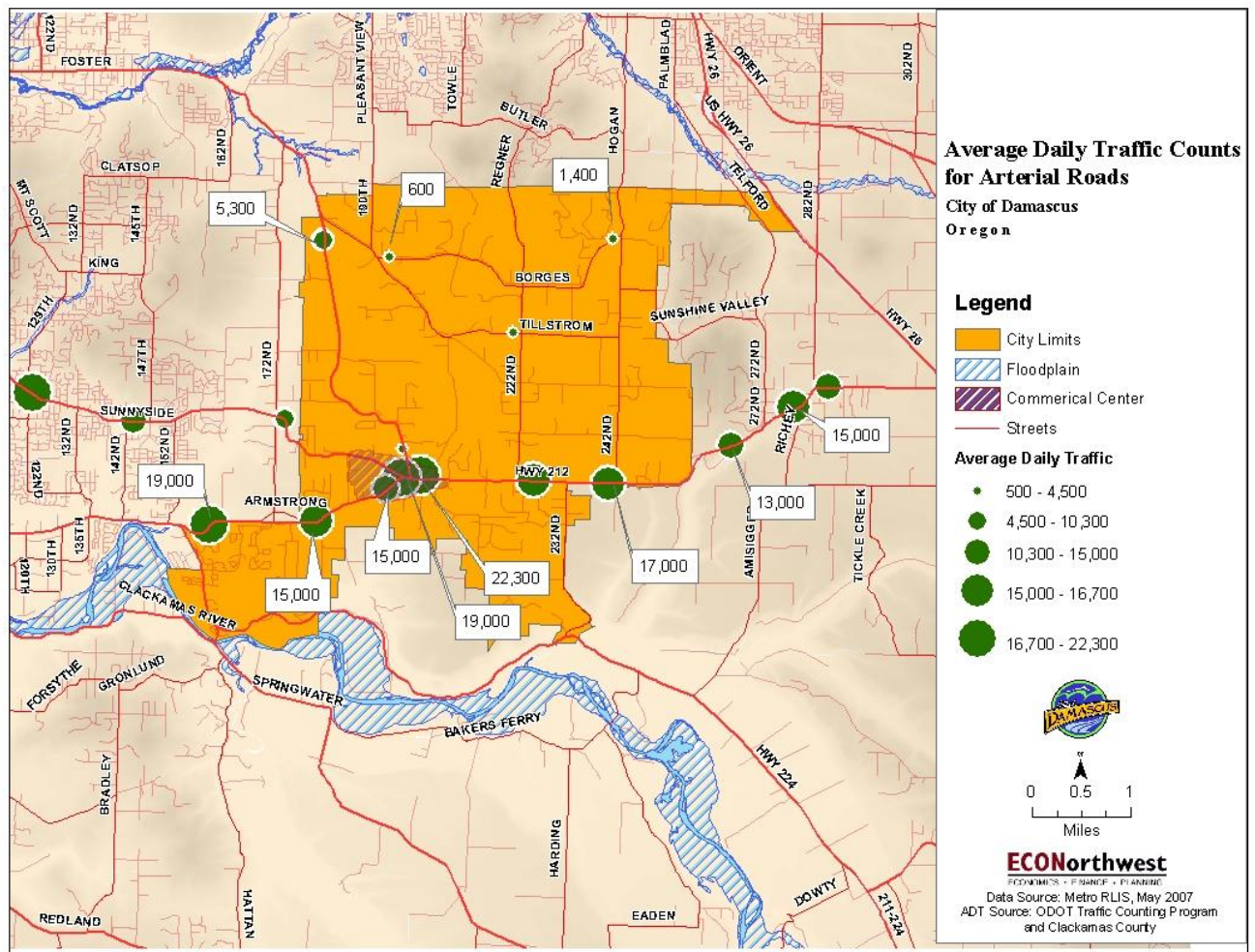
Other areas that are heavily traveled include the intersection of Highway 212 and Sunnyside Road, used by about 19,000 vehicles per day. The intersection of

¹³ Traffic monitoring information was taken from the Transportation Systems Monitoring Unit of the Oregon Department of Transportation (ODOT).

Highway 212 and Highway 224 is used by about 19,000 vehicles per day. This intersection is near the residential area with the highest density in the City. Traffic volume decreases Highway 212 moves east towards Highway 26 and Sandy. East of Damascus, traffic volume is between 13,000 and 15,000 vehicles per day.

Traffic on all other roads in the City is light; On Borges and Tillstrom Roads, traffic counts are 600 to 1,400 vehicles per day. Clackamas County does not provide traffic volume information for other, smaller roads.

Map 3-1. Transportation in Damascus, 2007



Source: Metro RLIS, May 2007; Oregon Department of Transportation; map by ECONorthwest

The traffic patterns in Damascus indicated that many people travel through Damascus on Highway 212, on their way to Highway 26 or the City of Sandy. However, the data suggest that several thousand vehicles use Highway 212 to get to Damascus' commercial district, rather than simply using Highway 212 to get to a destination outside of Damascus. This traffic pattern indicates that Damascus' commercial district is an existing destination that could be developed further.

Damascus' transportation infrastructure is not sufficient to support expected growth in Damascus over the planning period. Damascus lacks both sufficient

transportation infrastructure within the City and connections to areas outside of the City. The City is in the process of developing a Transportation System Plan for building roads within the City, making transportation improvements uncertain.

The Damascus Boring Concept Plan made recommendations for developing a transportation system in the study area. In brief, the Plan recommended developing a grid-like street pattern of network of arterial, collector, neighborhood, connector and local streets that provide multiple routes for travel. The connections in the street system should link directly to community destinations and employment centers, avoiding the green system where possible. It also recommended development of alternative transportation methods, such as a multi-use trail system and a flexible street/transit system that can grow as the City develops.

According to Gail Curtis at the Oregon Department of Transportation (ODOT), the State is considering development of roads in or around Damascus that will improve Damascus' connections within the Portland Region. The following projects are under consideration or development:

- **Development of the Sunrise Corridor** is a long-term plan to develop a highway capable of freight transportation between I-205 and Highway 26. ODOT has not determined the exact alignment of the Sunrise Corridor but it would roughly parallel or replace portions of Highway 212/224. The reason for development of the Sunrise Corridor is congestion on Highways 212/244, especially between I-205 and Rock Creek Junction. The projected traffic volume on this section of highway in 2030 is expected to far exceed the volume of traffic that the existing highway can accommodate.¹⁴

The Sunrise Corridor is separated into two segments (or phases): the Sunrise Project and the Sunrise Parkway. The Sunrise Project is a proposed six-lane, limited-access highway between I-205 to Rock Creek Junction, designed to serve major truck and freight distribution in the Clackamas Industrial area. ODOT identified funding the construction of the Sunrise Project as a long-term priority, ranking the importance of the project 28 out of 56 projects statewide.¹⁵ The Sunrise Project may not be built during the planning period, depending on funding availability. Major project elements of the Sunrise Project include:

- Constructing a new two-lane highway (one lane each direction) from the Milwaukie Expressway (OR 224) at I-205 to SE 122nd Avenue at OR 212/224.

¹⁴ Oregon Transportation Improvement Group, *The Sunrise Project: Milestone 0 Final Report – Scoping Study*, January 10, 2007.

¹⁵ Oregon Freight Advisory Committee, *Oregon Freight Advisory Committee Recommendations: High Priority Freight Mobility Projects*, April 6, 2004.

- Constructing a new I-205 overcrossing that will connect 82nd Drive and 82nd Avenue.
- Improving bicycle and pedestrian accommodations in the project area.
- Improving the intersection of SE 122nd Avenue and OR 212/224.
- Improving intersections in the project area, including traffic signals, signing, striping, drainage and water quality

ODOT has hired a consultant design firm and expects design to be complete by early 2013, with construction beginning in summer 2013.

The Sunrise Parkway is a proposed four-lane, limited-access highway connecting the Sunrise Project to Highway 26. The Sunrise Parkway would be designed to serve the City of Damascus. According to Gail Curtis, the Sunrise Corridor is not funded and may not be built during the planning period, depending on funding availability.

- **Improvements to Highway 212** will provide increased transportation access to Damascus until the Sunrise Corridor is built. ODOT is considering improvements Highway 212 that include widening from the existing two or three lanes to five lanes, with the intent of creating a more functional freight corridor on Highway 212.

ODOT has designated Highway 212 as a freight route, recognizing Highway 212 as an important route for moving freight in the context of the Portland Region. A designated freight route is expected to accommodate a significant tonnage of freight by truck, as well as serving local commuting needs.

Improvements to 172nd Street/190th Corridor Plan for Happy Valley will provide Damascus with a north-south access road, connecting Damascus to Pleasant Valley. This project is needed to accommodate the future traffic demand that will come with the buildout of developable land in Happy Valley, Damascus, and Gresham. There is a need to accommodate local and regional traffic growth in this plan area.

- **Improvements on Foster Road** will provide an additional north-south link with access to I-84 and Pleasant Valley.
- **Extension of 242nd Street** will connect Damascus with Springwater, providing a north-south link with access to I-84.

LABOR MARKET FACTORS

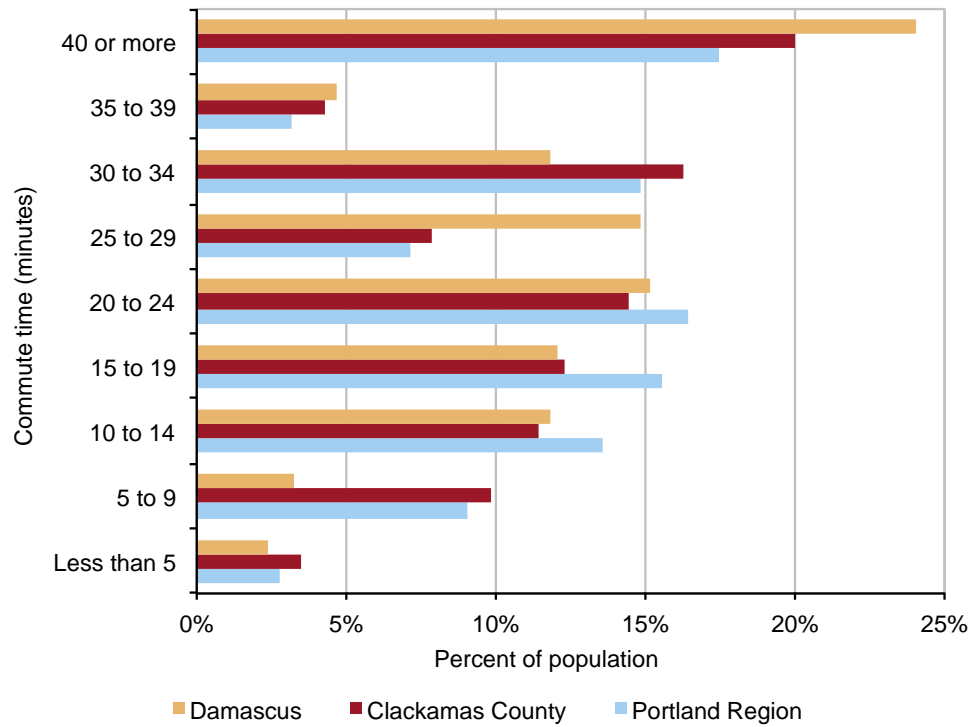
The availability and quality of labor is critical for economic development because businesses base decisions to locate or expand in a community, in part, on the local labor market. The most important factors to consider in evaluating a community's labor market include availability, quality, skills, and experience of workers. This section examines the Damascus' labor market.

The labor force in any market consists of the adult population (16 and over) who are working or actively seeking work. The labor force includes both the employed and the unemployed. Children, retirees, students, and people who are not actively seeking work are not considered part of the labor force.

The unemployment rate is one indicator of the relative number of workers who are actively seeking employment. Data from the U.S. Bureau of Labor Statistics shows that unemployment in Clackamas County was 8.7% in 2011, compared with 9.1% in the Portland Region and 9.5% in Oregon. In October 2012, the unemployment rates in Clackamas County and Portland Region were 7.5%, lower than the state average (8.1%)..

Figure 3-2 shows a comparison of the commute time to work for residents 16 years and older for the Portland Region, Clackamas County, and Damascus for 2007-2011. Residents of Damascus generally spent more time commuting to work than residents of Clackamas County or the Portland Region. Twenty-nine percent of residents of Damascus spent over 35 minutes commuting, compared with 24% of Clackamas County residents and 21% of Portland residents.

Figure 3-2. Commuting time to work in minutes for worker 16 years and older, Portland Region, Clackamas County and Damascus, 2007-2011



Source: 2007-2011 American Community Survey.

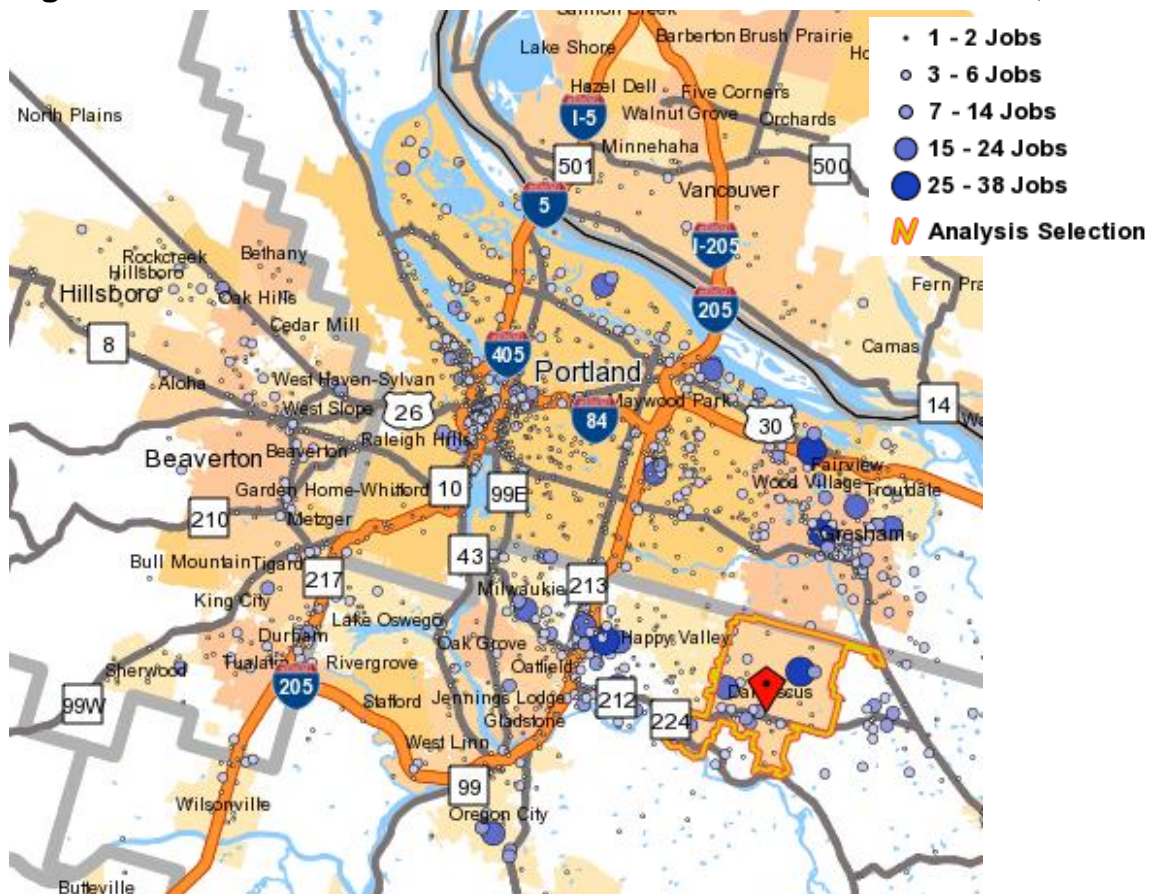
Table 3-2 and Figure 3-3 show where residents of Damascus worked in 2010. Damascus residents work throughout the Portland metropolitan area, with the largest concentrations in Portland and Gresham. Only 4% of Damascus residents work in Damascus.

Table 3-2. Places where residents of Damascus work, 2010

Location	Number	Percent
Multnomah County	2,081	48%
Portland	1,556	36%
Gresham	423	10%
Clackamas County	1,238	28%
Damascus	163	4%
Milwaukie	101	2%
Washington County	472	11%
Tigard	100	2%
Beaverton	95	2%
Marion County	133	3%
Other locations in Oregon	249	6%
Out of state	182	4%
Total	4,355	100%

Source: On The Map, Center for Economic Studies, US Census

Figure 3-3. Places where residents of the Damascus area work, 2010



Source: On The Map, Center for Economic Studies, US Census. Accessed December 14, 2012.

Notes: The blue dots show where residents of Damascus work. The larger the dot, the larger the concentration of residents from the Damascus there are who are employed in that area.

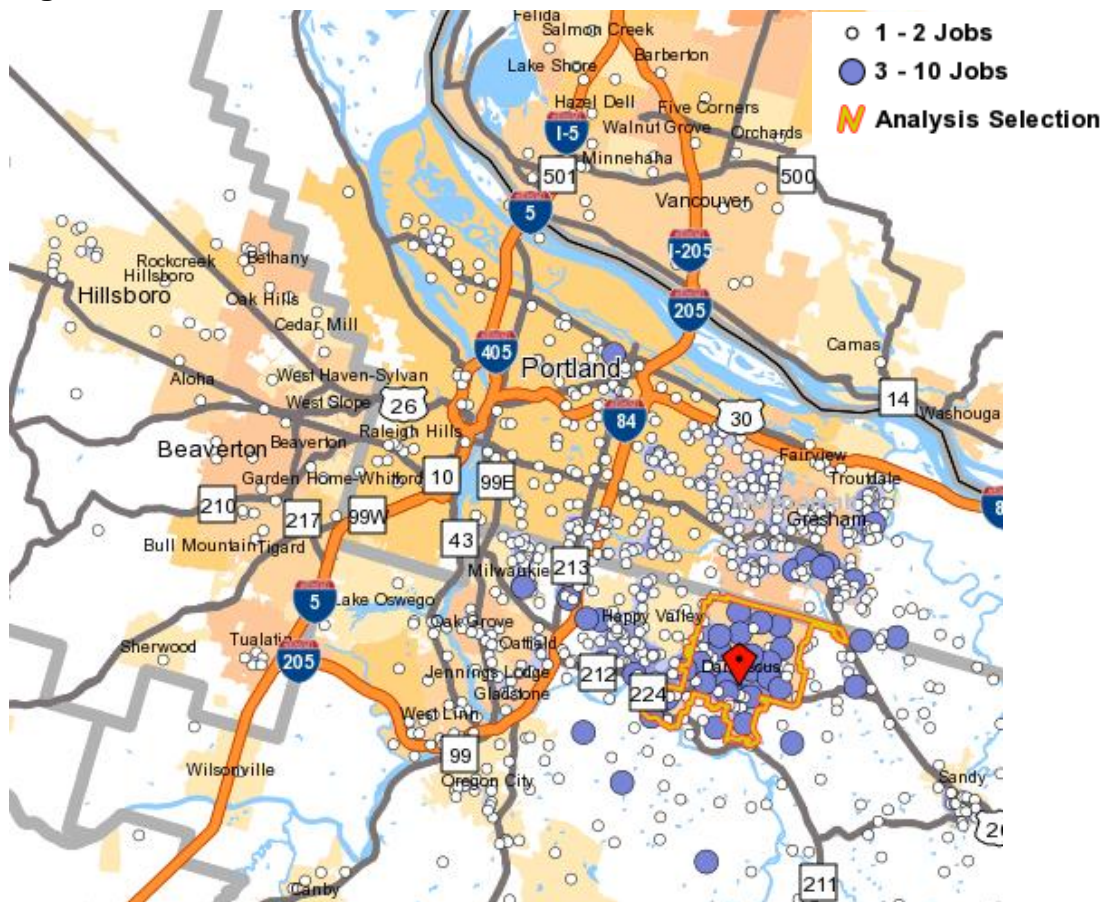
Table 3-3 and Figure 3-4 show where employees of firms located in Damascus lived in 2010. People that worked in Damascus lived in Clackamas County (46%), Multnomah County (28%), or elsewhere in Oregon (21%). Thirteen percent of workers in Damascus lived in Damascus, and 18% lived in Portland.

Table 3-3. Places where workers in Damascus lived, 2010

Location	Number	Percent
Clackamas County	574	46%
Damascus	163	13%
Happy Valley	34	3%
Multnomah County	349	28%
Portland	223	18%
Gresham	148	12%
Troutdale	25	2%
Washington County	68	5%
Marion County	35	3%
Other locations in Oregon	159	13%
Out-of-State	73	6%
Total	1,258	100%

Source: On The Map, Center for Economic Studies, US Census

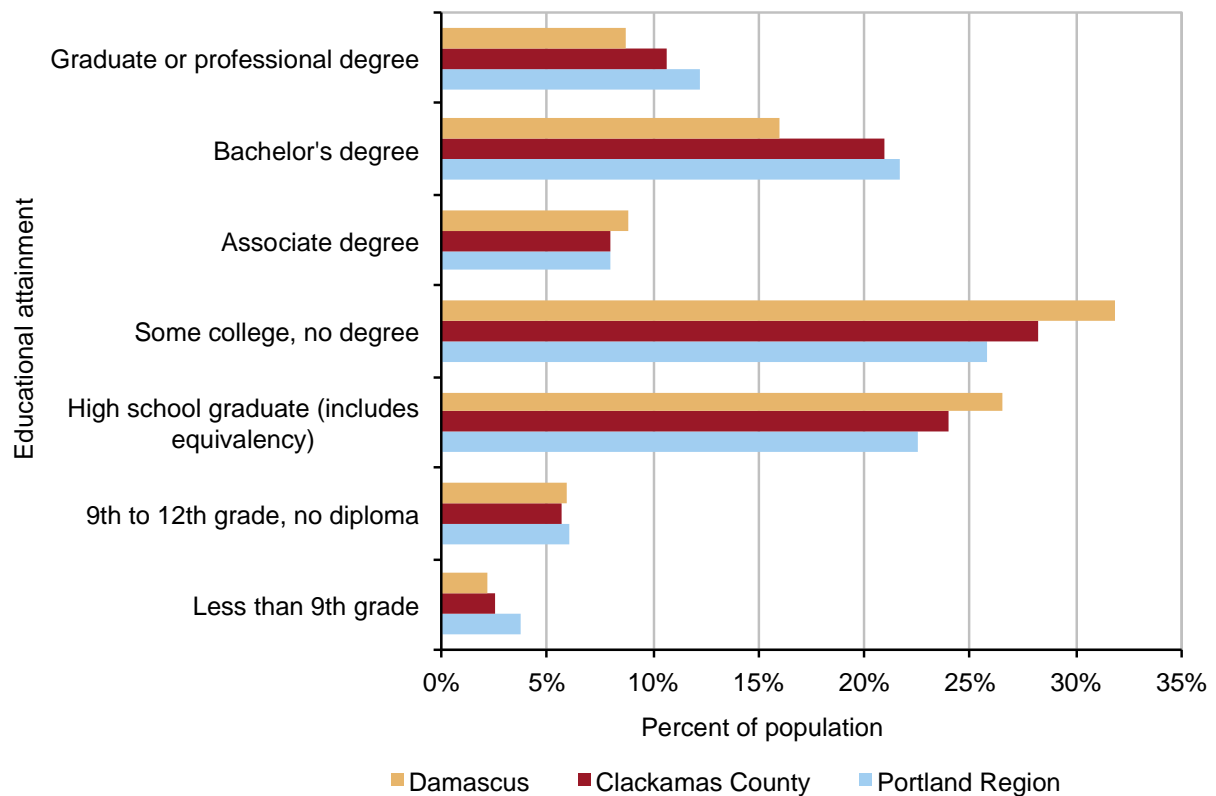
Figure 3-4. Places where workers in Damascus lived, 2010



Source: On The Map, Center for Economic Studies, US Census. Accessed December 14, 2012.

Educational attainment is one measure of the quality of an area's workforce. Higher educational attainment suggests that a skilled workforce is available. Figure 3-5 shows the percent of population by education level completed in the Portland Region, Clackamas County, and Damascus. Figure 3-5 shows that Damascus residents had similar levels of education as residents of Clackamas County or the entire Portland Region. About 65% of Damascus area residents had at least some college, compared with 68% of residents of the Portland Region and 68% of residents of Clackamas County. However, residents of Damascus are less likely to have completed a college degree (34%) than residents of the county (40%) or the region (42%).

Figure 3-5. Educational attainment for residents 25 years and older, Portland Region, Clackamas County and Damascus, 2007-2011



Source: 2007-2011 American Community Survey 5-year estimates. B15002.

The data show that firms in Damascus are able to access workers from the Portland Region, especially Multnomah and Clackamas Counties. Damascus should be able to attract sufficient skilled workers to fill jobs, as employment in Damascus grows. If employers are unable to find workers with specific skills in the Portland Region, they should be able to attract workers from other regions of the U.S. based on the Portland Region's amenities and high quality of life.

HOUSING

Damascus' housing costs have historically been among the highest in the eastern part of the Portland metropolitan region. Table 3-4 displays the average and median sales price for single-family residences in Damascus and selected Portland-area cities. Table 3-4 indicates that Damascus housing had a mean and median sales price of \$288,196 and \$265,500 in 2012, respectively¹⁶. The average sales price in Damascus grew by 35% over the twelve-year period.

Table 3-4 shows that housing in Damascus is more expensive than in neighboring cities of Sandy, Milwaukie, and Gresham. In 2012 the average sales price for single-family dwellings in these cities was between \$184,000 and \$231,000, more than \$57,000 less than the average sales price in Damascus in 2006.

Happy Valley and Lake Oswego have had higher average sales price than Damascus. In 2012, the average sales price was over \$510,000 in Lake Oswego and over \$343,000 in Happy Valley, approximately \$55,000 greater than the average sales price of single-family housing in Damascus in 2012. Between 2000 and 2012, housing prices grew fastest in Lake Oswego and Happy Valley when compared to prices in other cities in the region.

Table 3-4 and Figure 3-6 also show the effect of the national housing slowdown on Portland-area sales prices. Average and median sales prices for single-family dwellings peaked in Clackamas County in 2007 and declined between 2007 and 2011. Across Clackamas County, median home sales prices declined by 24% between 2007 and 2012. In comparison with neighboring cities, Damascus experienced the highest drops in average and median sales prices between 2007 and 2012. The median home sales price in Damascus decreased by 34% between 2007 and 2012, compared with 29% drops in Lake Oswego, Happy Valley, and Milwaukie.

Single-family housing sales prices were higher in every city in 2012 than in 2000. The cities with the largest overall housing price gains (more than 35% of average sales price) over the 12-year period were Lake Oswego, Happy Valley, Damascus and Gresham.

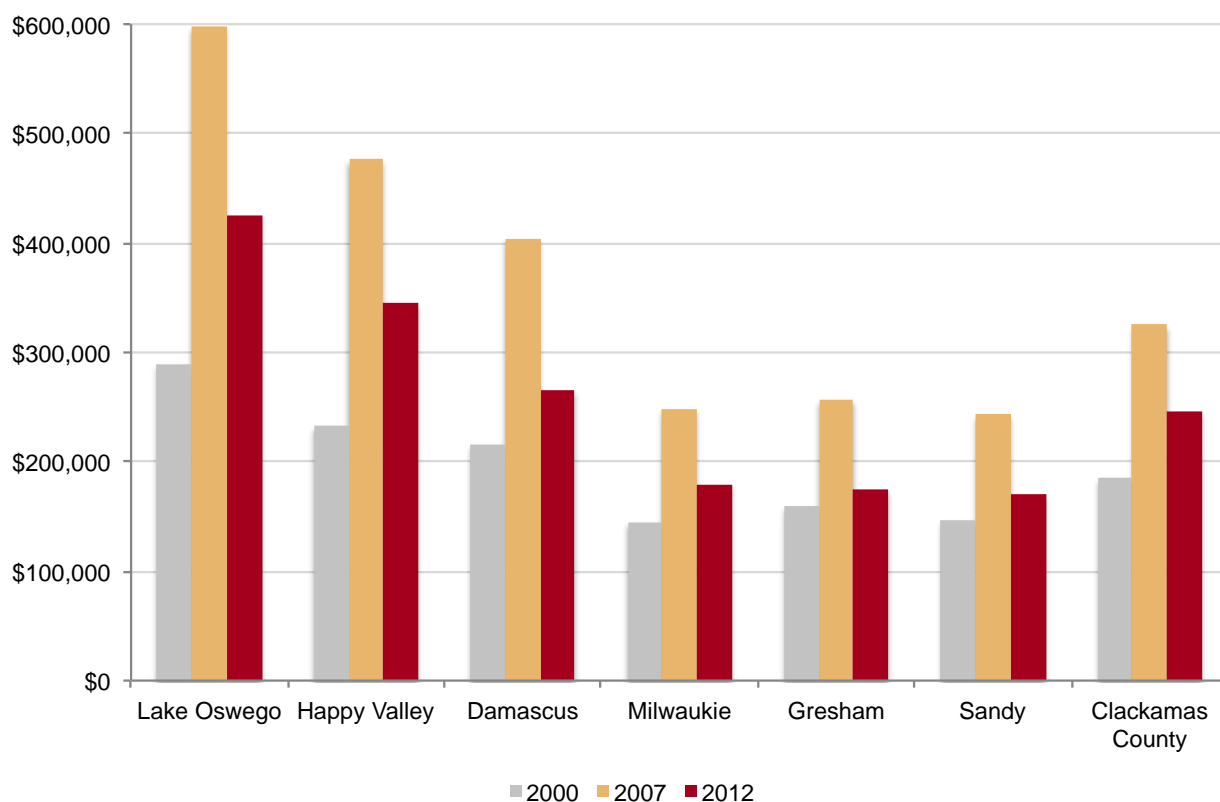
¹⁶ Data is from the November 2012 release of Metro RLIS and is current through November 2012.

Table 3-4. Average and median sales price for single-family dwellings, Damascus and selected cities in the Portland metropolitan region, 2000, 2007, and 2012

	2000	2007	2012	Change 2000 to 2012		Change 2007 to 2012	
				Amount	Percent	Amount	Percent
Average Sales Price							
Lake Oswego	\$352,850	\$715,823	\$510,372	\$157,522	45%	-\$205,451	-29%
Happy Valley	\$229,236	\$487,142	\$343,677	\$114,440	50%	-\$143,465	-29%
Damascus	\$213,099	\$426,314	\$288,196	\$75,097	35%	-\$138,118	-32%
Gresham	\$168,205	\$287,736	\$230,564	\$62,359	37%	-\$57,172	-20%
Milwaukie	\$179,043	\$264,107	\$188,309	\$9,266	5%	-\$75,798	-29%
Sandy	\$137,822	\$249,155	\$184,072	\$46,250	34%	-\$65,083	-26%
Clackamas County	\$228,465	\$395,278	\$295,474	\$67,009	29%	-\$99,804	-25%
Median Sales Price							
Lake Oswego	\$289,000	\$597,000	\$425,000	\$136,000	47%	-\$172,000	-29%
Happy Valley	\$232,450	\$475,985	\$345,000	\$112,550	48%	-\$130,985	-28%
Damascus	\$216,000	\$404,500	\$265,500	\$49,500	23%	-\$139,000	-34%
Milwaukie	\$145,000	\$248,250	\$180,000	\$35,000	24%	-\$68,250	-27%
Gresham	\$159,700	\$257,110	\$175,150	\$15,450	10%	-\$81,960	-32%
Sandy	\$146,950	\$242,950	\$170,170	\$23,220	16%	-\$72,780	-30%
Clackamas County	\$185,000	\$325,000	\$245,602	\$60,602	33%	-\$79,398	-24%

Source: Metro RLIS (local assessor data), November 2012. Calculated by ECONorthwest.

Figure 3-6. Median sales price for single-family dwellings, Damascus and selected



cities in the Portland metropolitan region, 2000, 2007, and 2012

Source: Metro RLIS (local assessor data), November 2012. Calculated by ECONorthwest.

The City lacks a Comprehensive Plan, a zoning ordinance, and infrastructure to support urban development densities. As a result, significant amounts of new housing cannot be developed. Until the City has developed plans and begins to develop infrastructure, the City will be at a disadvantage for providing housing. Employers ability to find qualified, skilled labor may not be negatively impacted by the limited amount of housing in Damascus because of workers willingness to commute to Damascus for work. Most workers in Damascus live in Multnomah County or outside of Damascus in Clackamas County.

Housing affordability—particularly workforce housing—is likely to be an issue in the community until a larger variety of housing types is developed in Damascus. Providing workforce housing (housing available to working residents with lower incomes) is important so that people that work in Damascus are able to live in the City, reducing commuting.

The State has requirements that guide the provision of housing. OAR 660-007 requires that cities in the Portland Metropolitan region provide the opportunity of producing a mix of new housing, specifying that at least 50% of new units should be more affordable housing types like attached single-family or multifamily units. OAR 660-007 also specifies density goals for new residential development for cities in the Metro UGB. Damascus is not currently assigned a density goal in OAR 660-007.

Metro's guidelines Title 7 of Metro's Urban Growth Management Functional Plan identifies the amount of affordable housing that each local jurisdiction in Metro would need to meet the projected shortfall in affordable housing. Each jurisdiction is encouraged to adopt the identified shortfall as a voluntary affordable housing goal. Damascus does not currently have an affordable housing goal in Title 7. In addition, Title 11 of Metro's Functional Plan requires that new urban areas policies include demonstrable measures that will provide a diversity of housing stock to fulfill needed housing requirements as defined by state law.

PUBLIC FACILITIES AND SERVICES

TAX POLICIES

Studies show that tax rates are not a primary location factor with a region—they matter only after businesses have made decisions based on labor, transportation, raw materials, and capital costs. The cost of these production factors is usually similar within a region. Therefore, differences in tax levels across communities within a region are more important in the location decision than are differences in tax levels between regions. Table 3-5 shows the average property tax rates per \$1,000 assessed value for Oregon, Clackamas County, and Damascus in 2011-2012. Table 3-5 shows that residents of Damascus have higher property tax rates than other cities in the table. Property taxes in Multnomah and Clackamas counties are higher than the state average.

Table 3-5. Property Tax Rate, per \$1,000 of assessed value, Oregon, Clackamas and Multnomah Counties and selected cities, 2011-2012

Area	Tax Rate (per \$1,000 assessed value)
Oregon	\$15.75
Clackamas County	\$16.23
Damascus	\$15.86-\$18.67
Happy Valley	\$16.35-\$17.42
Gladstone	\$16.97-\$21.17
Oregon City	\$17.59-\$17.91
Multnomah	\$19.35
Gresham	\$16.12 - \$17.23
Troutdale	\$17.44-\$18.90

Source: Oregon Department of Revenue, Property Tax Annual Stats, <http://www.oregon.gov/dor/STATS/Pages/303-405-12-toc.aspx>

SYSTEM DEVELOPMENT CHARGES

Like other methods of funding infrastructure improvements, variations in systems development charges (SDCs) are not a primary location factor but are important in location decisions within a region. The League of Oregon Cities conducted a survey of average commercial SDCs for all jurisdictions in Oregon. Table 3-6 shows SDCs for jurisdictions in Clackamas and Multnomah Counties that answered the survey. Gresham had the highest SDCs, an average of \$236,686, and Johnson City and Damascus had no SDCs. As Damascus develops infrastructure in the future, the City is likely to have to raise SDCs to fund infrastructure development.

Table 3-6. Average commercial System Development charges, Oregon, Clackamas and Multnomah Counties and selected cities, 2007

Jurisdiction	Sewer	Water	Stormwater	Transportation	Parks	Total
Gresham	\$77,278	\$63,462	\$11,500	\$81,086	\$3,360	\$236,686
Gladstone	\$2,677	\$17,913	none	\$67,081	none	\$87,671
Sandy	\$22,008	\$12,203	none	\$29,200	none	\$63,411
Johnson City	none	none	none	none	none	none
Damascus	none	none	none	none	none	none

Source: League of Oregon Cities "System Development Charges" survey, May 2007

WASTEWATER

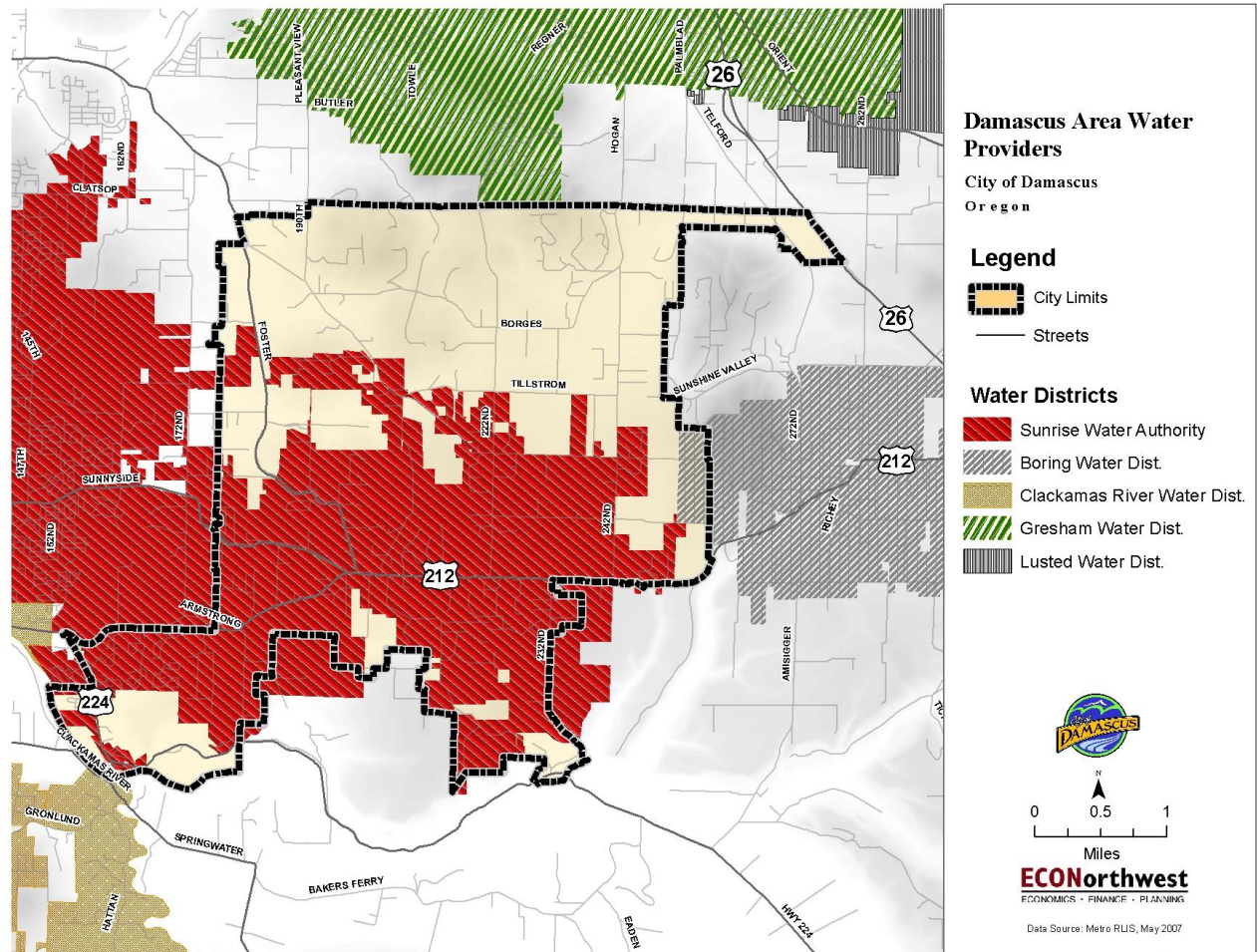
The City of Damascus does not have a wastewater system or sanitary sewers. Residents and businesses in Damascus dispose of wastewater through septic systems. The City of Damascus is currently working on plans to design and implement a wastewater system. An estimate by the City's engineering consultant, CH2MHill, projects that the cost of providing wastewater services to the City of Damascus over the planning period will be approximately \$193 million. This estimate includes the cost of the collection system, a regional pumping facility, and treatment costs.

Until the City has a wastewater system, the lack of wastewater service creates a disadvantage for businesses considering locating in Damascus. The lack of a wastewater system is likely to discourage firms engaged in water-intensive production (e.g. food processors or computer chip manufactures) from locating in Damascus. Once the City is able to provide these services, the City may have capacity to accommodate firms engaged in water-intensive production (e.g. food processors or computer chip manufactures).

WATER

The City of Damascus does not have a municipal water system. Similar to the provision of wastewater services, water service delivery is provided by a variety of entities throughout the County, and the City of Damascus is in the process of evaluating partnership opportunities (see Map 3-2). As development continues, the need for additional water service will grow. As outlined in the Damascus Boring Concept Plan, the proposed town center is remote from existing service options. Similar to the wastewater treatment options, obtaining new water rights for the City of Damascus is unlikely, but there are several partnership opportunities and the City is currently making ownership and operations decisions.

Map 3-2. Damascus area water providers



Source: Metro RLIS, May 2007; map by ECONorthwest.

Previous studies have evaluated water service in the Damascus area, including the Sunrise Water Authority Reclaimed Water Plan, the Sunrise Water Authority Water System Master Plan in 2004, and the City of Damascus Water Options conducted by URS in 2005. Additional technical work, however, is still necessary, including master planning for the City of Damascus, coordination with wastewater treatment and other infrastructure provision; ownership and partnership decisions will affect the technical work. Potential partnership opportunities include (but are not limited to):

- Sunrise Water Authority
- City of Gresham
- Portland Water Bureau
- Boring Water District
- Clackamas River Water
- Partial ownership by the City of Damascus

Currently, the City does receive limited service from the Sunrise Water Authority. This water is purchased from the North Clackamas County Water Commission. About 80% of that water originates in the Clackamas River and is treated by the Authority. The remaining 20% originates in wells.

The City of Damascus is currently exploring options for water service provision. Until the City has a water system, the lack of municipal water system creates a disadvantage for businesses considering locating in Damascus. The lack of a municipal water system is likely to discourage firms engaged in water-intensive production (e.g. food processors or computer chip manufactures) from locating in Damascus.

COMPARATIVE ADVANTAGE IN DAMASCUS

The mix of productive factors present in Damascus, relative to other communities in the Portland Region and Oregon, is the foundation of the City's comparative advantage. Damascus' primary comparative advantages are the proximity to the amenities and markets of Portland, Gresham, and other cities in the eastern part of the Portland Region, its location on Highway 212, and the availability of labor in the Portland Region.

Damascus currently has more disadvantages than advantages for economic development in relation to other communities in the Portland Region. As the City addresses these issues over the planning period, current disadvantages may turn to advantages as the City develops new infrastructure and services. Currently, a number of factors in Damascus constrain the amount and type of future employment growth within the City:

- **Lack of urban services.** The lack of water and wastewater infrastructure is likely to discourage large firms or firms with high water or wastewater demands from locating in Damascus until the City is able to provide these services.
- **Lack of transportation infrastructure.** The lack of roads connecting Damascus with other parts of the Portland Region, especially roads suitable for freight transportation, is likely to discourage firms needing freight transportation facilities from locating in Damascus. This constraint is likely to change as transportation facilities, especially the Sunrise Corridor, are developed. However, development of these facilities will most likely extend beyond the 20-year planning period.

Transportation is key to employment growth. The data presented in this chapter suggest the transportation system in Damascus is inadequate to support many types of employment uses. Moreover, planned facilities like the Sunrise Corridor have profound implications for employment growth. Following is a summary of implications for Damascus:

- **Plan for the Sunrise Corridor.** While there are no concrete timelines for the Sunrise Corridor, the City should plan as if the facility will be constructed. The existence of the Sunrise Corridor will allow more intensive employment uses (office complexes, manufacturing, etc.) that would not otherwise locate in Damascus due to transportation limitations. Designating lands in strategic locations to take advantage of the Corridor will ensure that those uses can occur in the future. The City will forego options of taking advantage of the mobility provided by the corridor if it does not plan for appropriate employment uses.
- **Distance from an interstate highway.** Damascus' distance from an interstate highway and the relatively limited traffic capacity of Highway 212 for freight transportation via truck. These constraints are likely to discourage firms that depend on freight transportation, such as firms engaged in warehousing.
- **Cost of housing.** Housing affordability—particularly workforce housing—is likely to be an issue as Damascus develops. Currently nearly all of Damascus' housing is single-family detached houses, often with a large lot. As a result, housing prices are above regional averages. This problem may be more of an issue until Damascus begins to get more affordable multifamily housing types.
- **Constraints from natural features.** Damascus has a number of natural features that may constrain development: steep slopes, riparian corridors, and wetlands.
 - About 1,030 acres or 10% of the land in Damascus has steep slopes (25% or greater slope). The topography in Damascus, especially the buttes, may make it difficult to find large, flat sites for industrial development.
 - Damascus has a number of waterways with riparian corridors deemed significant for the purpose of Goal 5, which limits development in these areas. These waterways include tributaries to the Clackamas River—Noyer, Richardson, and Rock Creeks—and tributaries to Johnson Creek—Sunshine, Kelley, and Badger Creeks. The total area of significant riparian corridors is about 1,674 acres or 15% of land within Damascus.
 - Damascus has 23 identified Locally Significant Wetlands, accounting for roughly 146 acres or 1.4% of land within Damascus. Damascus has three other wetlands and numerous possible wetlands of less than one-half acre in size.
- **Fragmentation of available parcels.** The existing low-density patterns of development may discourage firms that need large parcels of land for development, such as some types of manufacturing. Table 3-7 shows the

distribution of tax lots by area within the Damascus City limits. The results show that 82% of the City's land base is in tax lots less than 20 acres. The largest tax lot in the city limits is 83.6 acres, and the City has 6 tax lots over 50 acres.

It is difficult to evaluate exactly how severe a problem this is until the City develops a comprehensive plan map—or at least identifies where the major employment areas are. Areas identified in previous conceptual maps for employment would probably require some type of land assembly if the City desired to create sites of 100 acres or more.

Table 3-7. Tax lots by area, Damascus City Limit, 2007

Tax Lot Size	Number of Tax Lots	Percent of Tax Lots	Total Acres in Tax Lots	Percent of Acres
0.01 - 0.24 acres	816	19%	119.7	1%
0.25 - 0.49 acre	363	9%	132.1	1%
0.50 - 0.99 acre	997	23%	784.8	8%
1.00 - 1.99 acre	949	22%	1,287.8	13%
2.00 - 4.99 acre	698	16%	2,253.5	23%
5.00 - 9.99 acre	270	6%	1,817.7	19%
10.00 - 19.99 acre	112	3%	1,601.3	16%
20.00 - 49.99 acre	47	1%	1,348.2	14%
50.00 or more acres	6	0%	419.6	4%
Total	4,258	100%	9,764.5	100%

Source: City of Damascus GIS; Analysis by ECONorthwest

Chapter 2 reports industries that have shown growth and business activity in Damascus, Clackamas County, and the Portland Region in the past, as well as projections for growth industries in Clackamas County. These industries are indicative of businesses that might locate or expand in Damascus. The characteristics of Damascus will affect the types businesses most likely to locate in Damascus:

- **Retail.** Damascus' growing population and availability of land is likely to attract a variety of retailers to Damascus, including: big-box retailers, food and beverage stores, restaurants, and specialty retailers.
- **Business services.** Damascus' proximity to Portland and Gresham may attract firms that provide business services, such as corporate headquarters or professional and technical services.
- **Specialty manufacturing.** The types of manufacturing businesses likely to locate in Damascus are smaller businesses (less than 50 employees) that need to be relatively close to Portland, a semi-skilled labor force, proximity to existing businesses, or proximity to agricultural production. Examples include: high-tech electronics, food processing, or other specialty manufacturing.

- **Health care services and government.** Health care and government services will grow as population increases. Damascus may attract health care services for growing population and retirees and the elderly.

Employment Land Needs in Damascus

This chapter presents a discussion of potential growth industries, and an analysis site needs in Damascus. The discussion about potential growth industries suggests the types of industries that may locate in Damascus. The site needs discussion provides an estimate of the amount and size of sites needed for industrial and other employment uses by the potential growth industries.

POTENTIAL GROWTH INDUSTRIES

Previous chapters reviewed historical growth trends by industry in the Portland Region and Clackamas County since 1980 and employment in Damascus. A review of key historical trends in employment in the Portland Region can help identify potential growth industries in Damascus. In other words, economic opportunities in Damascus are a function of regional historical trends and future economic shifts.

While nearly all sectors of the economy in the Region experienced growth over this period, some sectors grew faster than others, resulting in a shift in the distribution of employment by sector. Key **historical trends** between 1990 and 2011 include:

- A substantial increase in the share of employment in Services, which increased from 49% to 60% of covered employment in the Portland Region.
- A decrease in the share of employment in Retail Trade, from 18% to 10%.
- A decline in the share of employment in Manufacturing, which fell from 17% to 12% of covered employment.

Together, these sectors represent about 89% of employment in the County. Other sectors of the County's economy have a relatively stable and small share of the County's employment.

Historical employment trends show a substantial shift in the Region's economy that mirrored shifts in the State and national economies, specifically the substantial growth in Services and decline of Manufacturing. While these trends are expected to continue into the future, **future shifts** are not expected to be as dramatic as those experienced over the past twenty years. There are several reasons for this expectation (e.g., that the future will be somewhat different than the past):

- Growth in the Services sector has matured and should track more closely with overall employment growth rather than continuing to gain a substantial share of total employment.

- The decline in Manufacturing was due, in part, to decreased timber harvests and the outsourcing of production to facilities in countries with lower costs. Timber harvests are expected to level off and increase in the future as commercial forests that were replanted since the 1970s grow to a harvestable size. While outsourcing will continue, much of what can be outsourced has already gone. Remaining Manufacturing firms are tied to their region to be near supplies or markets, or manufacture specialized goods were small production quantities, fast turn-around times, and the need for quality limit the ability to outsource.
- The mix of Manufacturing jobs in the Portland Region changed over the past twenty years with declines in Wood Products and some types of machinery manufacturing and the growth of employment in high-tech industries, such as Computer and Electronics Manufacturing.

Damascus' lack of substantial employment base makes it difficult to assess potential growth industries in the City. The City does not have attributes, such as a prime location within the Portland metropolitan area or direct access to an Interstate Highway, that will attract large employers. The City's lack of urban infrastructure is likely to discourage large employers from locating with Damascus until urban infrastructure is developed.

One way to assess the types of businesses that are likely to have future growth in an area is to examine relative concentration and employment growth of existing businesses. This method of analysis can help determine relationships and linkages within industries, also called industrial clusters. Sectors that are highly concentrated (meaning there are more than the "average" number of businesses in a sector in a given area) and have had high employment growth are likely to be successful industrial cluster. Sectors with either high concentration of businesses or high employment group may be part of an emerging cluster, with potential for future growth.

The Oregon Economic and Community Development Department (OECD) prepared a report titled "Oregon's Traded Clusters: Major Industries and Trends." This report identified 26 clusters in Clackamas County. Based on the economic data presented in Chapter 2 and Damascus' comparative advantages presented in Chapter 3, the clusters may be successful or have potential growth in Damascus include:

- **Crop and Animal Production.** This cluster includes crop production and its support activities. This cluster has relatively low average annual wages (about \$20,600). This cluster experienced relatively slow growth (5% or less) between 2003 and 2005. Damascus has an existing concentration of agricultural production and high quality soils that support agriculture. Many of these businesses will likely transition out of Damascus as urban density development occurs during the planning period.

- **Business Services.** This cluster is dominated by Professional, Scientific, and Technical Services and Employment Services. The average annual wage varies by sector, with the highest pay in Professional, Scientific, and Technical Services (about \$51,800). Employment growth in these industries was moderate to fast between 2003 and 2005. Damascus' proximity to Portland and quality of life may attract business service firms.
- **Information Technology.** This cluster includes Telecommunications, Software Publishers, and Internet Service Providers. The average annual wage is above State averages. Growth in the cluster varied between 2003 and 2005, with a decrease in Telecommunications employment and increases in employment with Internet Service Providers. Firms in this cluster may be attracted to Damascus because of its proximity to Portland, availability of skilled labor, and quality of life.
- **Medical products.** This cluster includes medical and equipment supplies manufacturing. This sector has higher than average wages and had moderate employment growth during the 2003 to 2005 period. Damascus may attract firms in this cluster because of its proximity to Portland and Portland's transportation system, as well as the concentration of labor in the medical field in Happy Valley and adjacent areas.
- **Apparel and Sporting goods Design and Marketing.** This cluster includes manufacturing sporting and athletic goods, including headquarters and manufacturing. The average annual wage varies by the type of employment within the sector. Damascus' proximity to Portland and quality of life may give Damascus advantage in attracting businesses in this cluster.

Comparing employment by sector in Damascus to employment in the Portland Region can provide an idea of the sectors that may form clusters in Damascus. Damascus may have an advantage in growing businesses in these sectors because of the advantages resulting from the existing clusters. These sectors include: Construction; Private Education; and Arts, Entertainment, and Recreation.

Retail and Services. The State's forecast for nonfarm employment forecast for 2010 to 2020 (Table A-7) projects that more than 70% of employment growth in Region 15, Clackamas County, will be in Retail and Services. Damascus may attract the following industries:

- Population growth in Damascus will drive demand for services such as personal financial, professional, and medical services. Population growth will also drive growth in local government, specifically in education.
- As the City grows, Damascus may be attractive to retailers of varying sizes, from small specialty retailers to mid-size retail stores to large "category killer" retailers such as Staples or Borders Books. The larger

retailers are not likely to locate in Damascus until population in the City increases substantially.

- As population grows, Damascus may be attractive to firms involved with arts and entertainment, such as a movie theater, arcade, fitness centers, or other arts and entertainment services.
- Damascus may be attractive for firms engaged in professional, scientific and technical services, such as corporate headquarters, software design, engineering, research, creative services, and other professional services.
- Damascus may be attractive to “green” businesses that produce environmentally sustainable products or services. These businesses may include small scale manufactures (e.g., food processors, personal care products, or producers of natural apparel) or providers of services (e.g., environmental nonprofits or environmentally conscious builders or contractors).
- Damascus may attract services for retirees, such as retirement facilities like active retirement communities, assisted living facilities, or traditional nursing homes.
- Damascus may attract medical services, with the growth of a medical services cluster in the Happy Valley area.

Industrial. The State’s forecast for nonfarm employment forecast for 2010 to 2020 (Table A-7) projects that growth in industrial sectors will account for one-quarter of employment growth in Region 15, Clackamas County. Damascus has comparative advantages, such as location near natural resources and proximity to Portland, which may contribute to the growth in employment in the following industries:

- Damascus may be attractive to firms engaged in manufacturing medical supplies and equipment.
- Damascus should be attractive for firms engaged in a range of specialty manufacturing, including recreational equipment, high-tech electronics and equipment, industrial equipment, furniture manufacturing, specialty apparel, and other specialty manufacturing.

Government. The State’s forecast for nonfarm employment forecast for 2010 to 2020 (Table A-7) projects that growth in government will account for the smallest amount of employment growth in Region 15, Clackamas County. Damascus may see employment growth in government for the following reasons:

- Local government employment is likely to grow in Damascus as population increases. The largest growth is likely to be in K-12 education and will be directly tied to population growth.

SITE AND EMPLOYMENT LAND NEEDS

OAR 660-009-0015(2) requires the EOA identify the number of sites, by type, reasonably expected to be needed for the 20-year planning period. Types of needed sites are based on the site characteristics typical of expected uses. The Goal 9 rule provides flexibility in how jurisdictions conduct and organize this analysis. For example, site types can be described by plan designation (i.e., heavy or light industrial), they can be by general size categories that are defined locally (i.e., small, medium, or large sites), or it can be industry or use-based (i.e., manufacturing sites or distribution sites).

Firms wanting to expand or locate in Damascus will be looking for a variety of site and building characteristics, depending on the industry and specific circumstances. Previous research conducted by ECO has found that while there are always specific criteria that are industry-dependent and specific firm, many firms share at least a few common site criteria. In general, all firms need sites that are relatively flat, free of natural or regulatory constraints on development, with good transportation access and adequate public services. The exact amount, quality, and relative importance of these factors vary among different types of firms. This section discusses the site requirements for firms in industries with growth potential in the Portland metropolitan area, as indicated by the Oregon Employment Department forecast shown in Table A-7.

EMPLOYMENT FORECAST

Employment growth in Damascus is expected in each of the categories defined by type of land use: Retail and Services and Industrial. To estimate the demand for land generated by employment growth, ECO used assumptions for the number of employees per acre from the Metro “Gamma” forecast for employment growth.

Table 4-3 shows Metro’s growth estimate for employment and demand for employment land in Damascus. Over the 2015 to 2035 period, Damascus will add 2,560 new employees, requiring 110 net acres of land. The estimates for land need in Table 4-3 do not include land needed for Regional Significant Industrial Areas, which is addressed later in the analysis.

The Damascus City Council accepted the Metro forecast (in Table 4-3) on 11/19/2012 through resolution 12-324.

Table 4-3. Demand for employment land (net acres) in Damascus by land use type, 2015–2035 and 2010-2035

Land Use Type	2015 to 2035			2010 to 2035		
	New Employment	Emp. Per Acre	Suitable Land Need	New Employment	Emp. Per Acre	Suitable Land Need
Retail and Service	1,719	30	57	1,898	30	63
Industrial	841	16	53	986	16	62
Total	2,560		110	2,884		125

Source: Metro “Gamma” forecast (September 2012) and ECONorthwest

FACTORS THAT AFFECT LOCATIONAL DECISIONS

Why do firms locate where they do? There is no single answer—different firms choose their locations for different reasons. Key determinates of a location decision are a firm's *factors of production*. For example, a firm that spends a large portion of total costs on unskilled labor will be drawn to locations where labor is relatively inexpensive. A firm with large energy demands will give more weight to locations where energy is relatively inexpensive. In general, firms choose locations they believe will allow them to maximize net revenues: if demand for goods and services is held roughly constant, then revenue maximization is approximated by cost minimization.

The typical categories that economists use to describe a firm's production function are:

- **Labor.** Labor is often and increasingly the most important factor of production. Other things equal, firms look at productivity—labor output per dollar. Productivity can decrease if certain types of labor are in short supply, which increases the costs by requiring either more pay to acquire the labor that is available, the recruiting of labor from other areas, or the use of the less productive labor that is available locally. Based on existing commuting patterns, Damascus has access to labor from the Portland region, especially the eastern Portland region.
- **Land.** Demand for land depends on the type of firm. Manufacturing firms need more space and tend to prefer suburban locations where land is relatively less expensive and less difficult to develop. Warehousing and distribution firms need to locate close to interstate highways.
- **Local infrastructure.** An important role of government is to increase economic capacity by improving quality and efficiency of infrastructure and facilities, such as roads, bridges, water and sewer systems, airport and cargo facilities, energy systems, and telecommunications.
- **Access to markets.** Though part of infrastructure, transportation merits special attention. Firms need to move their product, either goods or services, to the market, and they rely on access to different modes of transportation to do this. Lack of sufficient automotive transportation access is a key issue that Damascus will need to address before firms that depend on highway access (e.g., transportation firms) will locate in Damascus. Damascus' relatively close proximity to Portland International Airport could provide the City with advantages in attracting some types of firms, such as corporate headquarters, over cities in the Metro area that are further from the airport.
- **Materials.** Firms producing goods, and even firms producing services, need various materials to develop products that they can sell. Some firms need natural resources: lumber manufacturing requires trees. Or, farther down the line, firms may need intermediate materials: for example, dimensioned lumber to build manufactured housing.

- **Entrepreneurship.** This input to production may be thought of as good management, or even more broadly as a spirit of innovation, optimism, and ambition that distinguishes one firm from another even though most of their other factor inputs may be quite similar.

The supply, cost, and quality of any of these factors obviously depend on market factors: on conditions of supply and demand locally, nationally, and even globally. But they also depend on public policy. In general, public policy can affect these factors of production through:

- **Regulation.** Regulations protect the health and safety of a community and help maintain the quality of life. Overly burdensome regulations, however, can be a disincentive for businesses to locate in a community. Simplified bureaucracies and straightforward regulations can reduce the burden on businesses and help them react quickly in a competitive marketplace.
- **Taxes.** Firms tend to seek locations where they can optimize their after-tax profits. Studies show that tax rates are not a primary location factor within a region—they matter only after businesses have made decisions based on labor, transportation, raw materials, and capital costs. The cost of these production factors is usually similar within a region. Therefore, differences in tax levels across communities within a region are more important in the location decision than are differences in tax levels between regions.
- **Financial incentives.** Governments can offer firms incentives to encourage growth. Studies have shown that most types of financial incentives have had little significant effect on firm location between regions. For manufacturing industries with significant equipment costs, however, property or investment tax credit or abatement incentives can play a significant role in location decisions. Incentives are more effective at redirecting growth within a region than they are at providing a competitive advantage between regions.

This discussion may make appear that a location decision is based entirely on a straight-forward accounting of costs, with the best location being the one with the lowest level of overall costs. Studies of economic development, however, have shown that location decisions depend on a variety of other factors that indirectly affect costs of production. These indirect factors include agglomerative economies (also known industry clusters), quality of life, and innovative capacity.

- **Industry clusters.** Firms with similar business activities can realize operational savings when they congregate in a single location or region. Clustering can reduce costs by creating economies of scale for suppliers. For this reason, firms tend to locate in areas where there is already a presence of other firms engaged in similar or related activities.
- **Quality of life.** A community that features many quality amenities, such as access to recreational opportunities, culture, low crime, good schools, affordable housing, and a clean environment can attract people simply

because it is a nice place to be. A region's quality of life can attract skilled workers, and if the amenities lure enough potential workers to the region, the excess labor supply pushes their wages down so that firms in the region can find skilled labor for a relatively low cost. The characteristics of local communities can affect the distribution of economic development within a region, with different communities appealing to different types of workers and business owners. Sometimes location decisions by business owners are based on an emotional or historical attachment to a place or set of amenities, without much regard for the cost of other factors of production.

- **Innovative capacity.** Increasing evidence suggests that a culture promoting innovation, creativity, flexibility, and adaptability is essential to keeping U.S. cities economically vital and internationally competitive. Innovation is particularly important in industries that require an educated workforce. High-tech companies need to have access to new ideas typically associated with a university or research institute. Innovation affects both the overall level and type of economic development in a region. Government can be a key part of a community's innovative culture, through the provision of services and regulation of development and business activities that are responsive to the changing needs of business.

Table 4-4 provides a summary of production factors in Damascus as well as comments on local opportunities and constraints. It also discusses implications of each factor for future economic development in Damascus.

Table 4-4. Summary of production factors and their implications for Damascus

Category	Opportunities	Challenges	Implications
Labor	<ul style="list-style-type: none"> • Access to labor from the Portland Region • Existing population is highly educated 	<ul style="list-style-type: none"> • Limited capacity of roads for commuting • Limited housing • Need for affordable workforce housing 	The City has access to labor from the region but it needs to develop infrastructure to support commuting and it needs to develop policies to promote development of workforce housing so that low- and moderate-income workers can live in the City.
Land	<ul style="list-style-type: none"> • Low density development patterns, and several large parcels • Parcel assembly • Opportunities for redevelopment and infill development 	<ul style="list-style-type: none"> • Existing pattern of development is fragmented • Limited availability of large parcels of land • Lack of land near highways • Cost of land 	Firms that prefer large, undeveloped parcels near highways are unlikely to locate in Damascus under current conditions, such as warehousing and distribution or manufacturers that freight access.
Local infrastructure	<ul style="list-style-type: none"> • Proximity to Portland International Airport • Connection between I-205 and Highway 212 	<ul style="list-style-type: none"> • Limited capacity and availability of roads connecting Damascus to other parts of the region (e.g. the Sunrise Corridor) • Need for street grid internal to Damascus • Lack of water and wastewater facilities 	In the short run, Damascus is likely to experience limited interest from large firms that need access to urban infrastructure and highways. The City has opportunities to attract and grow small businesses, such as home-occupations or businesses needing access to the Airport.
Access to markets	<ul style="list-style-type: none"> • Proximity to Portland International Airport • Proximity to the Port of Portland • Firms that don't have significant transportation demands 	<ul style="list-style-type: none"> • Lack of sufficient highway access 	<p>Damascus will need improved highway access before attracting firms that needs access to markets via highways.</p> <p>Damascus' relatively close proximity to Portland International Airport could provide the City with advantages in attracting some types of firms, such as corporate headquarters, over cities in the Metro area that are further from the airport.</p>

Category	Opportunities	Challenges	Implications
Materials	<ul style="list-style-type: none"> Proximity to the Port of Portland Proximity to natural resources (e.g., timber or agricultural products) 	<ul style="list-style-type: none"> Lack of sufficient highway access 	Damascus may be attractive to small-scale manufacturers that needs access to natural resources. However, firms dependant on highway access to transport large quantities of materials may not locate in Damascus until infrastructure needs are addressed.
Entrepreneurship	<ul style="list-style-type: none"> High rate of employment in home-occupations Highly educated population Quality of life 	<ul style="list-style-type: none"> Lack of infrastructure to support medium- and large-scale businesses Lack of amenities (e.g., cultural, shopping, etc.) 	Damascus may be attractive to entrepreneurs who value the City's quality of life attributes and other locational attributes. Damascus has opportunities to encourage entrepreneurship through promoting home-based occupations
Regulation	<ul style="list-style-type: none"> Lack of regulatory framework Ability to craft regulations that are conducive to business 	<ul style="list-style-type: none"> Lack of regulatory framework 	The City has the opportunity to develop a regulatory framework that can promote economic activity through economic development policies, plans for providing infrastructure, and provision of a variety of housing types.
Taxes		<ul style="list-style-type: none"> Need for revenue sources to support development of infrastructure 	Damascus has the ability to assess the same types of taxes and fees that other cities do. Because of limitations on tax rates and impact fees, taxes will probably be less of a factor than other categories.
Financial incentives		<ul style="list-style-type: none"> Competition for revenues from other economic development priorities, such as infrastructure development No identified source of funding 	<p>The City will need to prioritize economic development strategies that will compete with fiscal incentives for funding, such as infrastructure development.</p> <p>Given infrastructure development costs, it appears little opportunity to provide financial incentives exists.</p>
Industry clusters	<ul style="list-style-type: none"> Proximity to clusters in adjacent communities 	<ul style="list-style-type: none"> Lack of substantial employment to form clusters 	Damascus may be able to build employment in existing industrial clusters in neighboring cities, such as the developing medical cluster in Happy Valley.

Category	Opportunities	Challenges	Implications
Quality of life	<ul style="list-style-type: none"> • High quality of life, including access to recreation, proximity to cultural amenities in Portland, regional shopping opportunities and environmental quality 	<ul style="list-style-type: none"> • Lack of amenities in Damascus 	Damascus' policy choices will affect the City's quality of life, such as decisions regarding development of natural areas or policies that lead to development of retail in Damascus.
Innovative capacity	<ul style="list-style-type: none"> • Educated local and regional workforce • Existing professional and business service firms • Proximity to labor from the Portland Region • Existing businesses, clusters, and innovators in the Region 	<ul style="list-style-type: none"> • Small employment base • Distance from regional educational facilities (e.g., Portland State University or Oregon Health Sciences University) 	Government can be a key part of a community's innovative culture, through the provision of services and regulation of development and business activities that are responsive to the changing needs of business.

To understand how changes in public policies affect local job growth, economists have attempted to identify the importance for firms of different locational factors. They have used statistical models, surveys, and case studies to examine detailed data on the key factors that enter the business location decision.

Economic theory says that firms locate where they can reduce the costs of their factors of production (assuming demand for products and any other factors are held constant). Firms locate in regions where they have access to inputs that meet their quality standards, at a relatively low cost. Because firms are different, the relative importance of different factors of production varies both across industries and, even more importantly, across firms.

No empirical analysis can completely quantify firm location factors because numerous methodological problems make any analysis difficult. For example, some would argue simplistically that firms will prefer locating in a region with a low tax rate to reduce tax expenses. However, the real issue is the value provided by the community for the taxes collect. Because taxes fund public infrastructure that firms need, such as roads, water, and sewer systems, regions with low tax rates may end up with poor infrastructure, making it less attractive to firms. When competing jurisdictions have roughly comparable public services (type, cost, and quality) and quality of life, then tax rates (and tax breaks) can make a difference.

Further complicating any analysis is the fact that many researchers have used public expenditures as a proxy for infrastructure quality. But large expenditures on roads do not necessarily equal a quality road system. It is possible that the money has been spent ineffectively and the road system is in poor condition.

An important aspect of this discussion is that the business function at a location matters more than a firm's industry. A single company may have offices spread across cities, with headquarters located in a cosmopolitan metropolitan area, the research and development divisions located near a concentration of universities, the back office in a suburban location, and manufacturing and distribution located in areas with cheap land and good interstate access.

Although empirical analyses face many such methodological difficulties, the studies provide much information about why firms locate where they do. Economists have improved their statistical techniques and use a variety of data sources to quantify input factors. They have supplemented empirical analyses with theoretical models of firm behavior and surveys of business managers.

Research has shown that the location decisions of businesses are primarily based on the availability and cost of labor, transportation, raw materials, and capital. The availability and cost of these production factors are usually similar within a region. Most economic development strategies available to local governments, however, only indirectly affect the cost of these primary location factors. Local governments can most easily affect tax rates, public services, and regulatory policies. Economists generally agree that these factors do affect economic development, but the effects on economic development are modest. Thus, most of

the strategies available to local governments have only a modest affect on the level and type of economic development in the community.

Local governments in Oregon also play a central role in the provision of buildable land through inclusion in the Urban Growth Boundary, plan designation, zoning, and provision of public services. Obviously, businesses need buildable land to locate or expand in a community. Providing buildable land alone is not sufficient to guarantee economic development in a community—market conditions must create demand for this land, and local factors of production must be favorable for business activity. In the context of expected economic growth and the perception of a constrained land supply in the Portland region, the provision of buildable land has the potential to strongly influence the level and type of economic development in Damascus.

SITE CHARACTERISTICS

More specific site needs and locational issues for firms in potential growth industries include a range of issues. Table 4-6 summarizes site needs and key issues related to sites in Damascus.

Figure 4-6. Summary of site requirements

Site Attribute	Comments
Flat sites. Flat topography (slopes with grades below 10%) is needed by almost all firms in every industry except for small Office and Commercial firms that could be accommodated in small structures built on sloped sites. Flat sites are particularly important for Industrial firms in manufacturing, trucking, and warehousing, since these firms strongly prefer to locate all of their production activity on one level with loading dock access for heavy trucks.	Most of Damascus' potential industrial and commercial sites are located in relatively flat areas. However, approximately 1,030 acres or 10% of the land within Damascus has slopes steeper than 25%.
Parcel configuration and parking. Large Industrial and Commercial firms that require on-site parking or truck access are attracted to sites that offer adequate flexibility in site circulation and building layout. Parking ratios of 0.5 to 2 spaces per 1,000 square feet for Industrial and 2 to 3 spaces per 1,000 square feet for Commercial are typical ratios for these firms. In general rectangular sites are preferred, with a parcel width of at least 200-feet and length that is at least two times the width for build-to-suit sites. Parcel width of at least 400 feet is desired for flexible industrial/business park developments and the largest Commercial users.	Because of the existing low-density residential development, Damascus may find it difficult to identify and designated sites for firms that require large, undeveloped parcels.
Soil type. Soil stability and ground vibration characteristics are fairly important considerations for some highly specialized manufacturing processes, such as microchip fabrications. Otherwise soil types are not very important for Commercial, Office, or Industrial firms—provided that drainage is not a major issue.	Soils do not appear to be a constraining factor on most sites in Damascus outside of natural areas and natural hazard areas. The City may want to consider limiting development on areas such as wetlands, flood plains, riparian corridors, wildlife areas, steep slopes and other sensitive areas.

Site Attribute	Comments
<p>Road transportation. All firms are heavily dependent upon surface transportation for efficient movement of goods, customers, and workers. Access to an adequate highway and arterial roadway network is needed for all industries. Close proximity to a highway or arterial roadway is critical for firms that generate a large volume of truck or auto trips or firms that rely on visibility from passing traffic to help generate business. This need for proximity explains much of the highway strip development prevalent in urban areas today.</p>	<p>Most of Damascus has access to Highway 212. Damascus is located 6 miles from Interstate 205. The Damascus street system is primarily made up of narrow, 2-lane roads that now carry urban levels of traffic, which can cause congestion at times. Improvements to existing roads will provide Damascus with connections to nearby communities:</p> <p>Development of the Sunrise Corridor would provide transportation access that would support much more intensive employment than the current road network. It is unclear whether the corridor would be built by 2030.</p> <p>Improvements to 172nd Street for Happy Valley will provide Damascus with a north-south access road, connecting Damascus to Pleasant Valley.</p> <p>Extension of 242nd Street will connect Damascus with Springwater, providing a north-south link with access to I-84.</p> <p>Improvements on Foster Road will provide an additional north-south link with access to I-84.</p>
<p>Rail transportation. Rail access can be very important to certain types of heavy industries. The region has good rail access to many industrial sites.</p>	<p>Damascus has no direct rail access. Residents and businesses in Damascus can access rail transportation at the Port of Portland, which provides access to container and bulk commodities shipping via ship, rail access, and numerous warehouses.</p>
<p>Air transportation. Proximity to air transportation is important for some firms engaged in manufacturing, finance, or business services.</p>	<p>Damascus is located 20 miles from Portland International Airport.</p>
<p>Transit. Transit access is most important for businesses in Health Services, which has a high density of jobs and consumer activity, and serves segments of the population without access to an automobile.</p>	<p>Damascus does not have transit. The Tri-Met service boundary currently ends and 162nd.</p>
<p>Pedestrian and bicycle facilities. The ability for workers to access amenities and support services such as retail, banking, and recreation areas by foot or bike is increasingly important to employers, particularly those with high-wage professional jobs. The need for safe and efficient bicycle and pedestrian networks will prove their importance over time as support services and neighborhoods are developed adjacent to employment centers.</p>	<p>Streets do not have bicycle or pedestrian facilities, except for sidewalks along Highway 212 in the Damascus city center. The Springwater Corridor is a multi-use trail located along the northeastern part of Damascus. It offers a pedestrian and bicycle route from Southeast Portland to Boring. The City could provide pedestrian and bicycle facilities through street design guidelines and other opportunities associated with new construction.</p>

Site Attribute	Comments
Labor force. Firms are looking at reducing their workforce risk, that is, employers want to be assured of an adequate labor pool with the skills and qualities most attractive to that industry. Communities can address this concern with adequate education and training of its populace. Firms also review turnover rates, productivity levels, types and amount of skilled workers for their industry in the area, management recruitment, and other labor force issues in a potential site area.	<p>Commuting patterns within Damascus and the Portland Region suggest that Damascus should have access to the workforce of the Portland Region, especially workers living in Multnomah and Clackamas Counties.</p> <p>Firms in Damascus will need employees with a range of skills, from people with customer service skills to highly educated professionals. Some types of skills that employers may need include: management skills, technology, manufacturing (e.g., machinist or wood-working), a range of medical training, creative skills, and other skills or education. The educational and skill requirements of businesses in Damascus are likely to be similar to the needs of businesses throughout the Portland region.</p>
Amenities. According to the International Economic Development Council ¹⁷ , attracting and retaining skilled workers requires that firms seek out places offering a high quality of life that is vibrant and exciting for a wide range of people and lifestyles.	Damascus currently offers a more rural setting within the Portland UGB. Urban amenities in Portland are located less than a half-hour drive from Damascus. As Damascus develops, urban amenities will develop in and around Damascus.
Fiber optics and telephone. Most if not all industries expect access to multiple phone lines, a full range of telecommunication services, and high-speed internet communications.	Damascus has access to high-speed telecommunications facilities.
Potable water. Potable water needs range from domestic levels to 1,000,000 gallons or more per day for some manufacturing firms. However, emerging technologies are allowing manufacturers to rely on recycled water with limited on-site water storage and filter treatment. The demand for water for fire suppression also varies widely.	The City is evaluating how to collaborate with area water providers to meet current and future demand for water.
Power requirements. Electricity power requirements range from redundant (uninterrupted, multi-sourced supply) 115 kva to 230 kva. Average daily power demand (as measured in kilowatt hours) generally ranges from approximately 5,000 kwh for small business service operations to 30,000 kwh for very large manufacturing operations. The highest power requirements are associated with manufacturing firms, particularly fabricated metal and electronics. For comparison, the typical household requires 2,500 kwh per day.	Damascus has access to sufficient power supply to accommodate most commercial and industrial users.

¹⁷ International Economic Development Council. "Economic Development Reference Guide," <http://www.iedconline.org/hotlinks/SiteSel.html>. 10/25/02.

Site Attribute	Comments
<p>Land use buffers. According to the public officials and developers/brokers ECO has interviewed, Industrial areas have operational characteristics that do not blend as well with residential land uses as they do with Office and Commercial areas. Generally, as the function of industrial use intensifies (e.g., heavy manufacturing) so to does the importance of buffering to mitigate impacts of noise, odors, traffic, and 24-hour 7-day week operations. Adequate buffers may consist of vegetation, landscaped swales, roadways, and public use parks/recreation areas. Depending upon the industrial use and site topography, site buffers range from approximately 50 to 100 feet. Selected commercial office, retail, lodging and mixed-use (e.g., apartments or office over retail) activities are becoming acceptable adjacent uses to light industrial areas.</p>	<p>Damascus will need to consider policies that create land use buffers between incompatible uses. Concentration of industrial development in one or a few areas may lessen the need for land use buffers.</p>

In summary, the site requirements for industries have many common elements. Firms in all industries rely on efficient transportation access and basic water, sewer and power infrastructure, but may have varying need for parcel size, slope, configuration, and buffer treatments. Transit, pedestrian and bicycle access are needed for commuting, recreation and access to support amenities.

NEEDED SITES IN DAMASCUS

Table 4-3 shows that Damascus will need about 110 acres of land to accommodate employment growth between 2015 to 2035, including about 50 acres of land for industrial uses. In the “Gamma” forecast, Metro estimates that Damascus has 963 acres of land with employment capacity.

Large industrial sites provide unique opportunities for economic development because of the relative rarity of these sites within most communities. Large industrial sites generally require services, such as transportation, water, and wastewater, before they develop. Even with these services available, these sites may remain undeveloped for long periods before a desirable firm wants to develop the site. Communities often experience pressure to allow commercial, retail, or residential development on large industrial sites. However, once these sites are developed for other uses, communities often find it difficult to replace the industrial sites.

Metro’s Title 4 of the Urban Growth Management Functional Plan recognizes these pressures and addresses the need for Regional Significant Industrial Areas (RSIA). The purpose of the RSIA is to provide and protect a supply of industrial sites, as well as provide opportunities for clustering of industries that operate more productively and efficiently when located in proximity to one another. RSIA are sites near the region’s most significant facilities for freight transportation.

The Damascus Boring Concept Plan documented Metro’s estimate that the Damascus and East Happy Valley areas would accommodate about 364 acres of RSIA uses. According to Ray Valone at Metro, Metro hopes that the City of Damascus will designate approximately 300 net acres for RSIA.

As the City is developing ideas for the Comprehensive Plan Map, the City has identified about 300 net acres of land that could meet the regional need for RSIA. The City also identified other land for employment uses, for employment centers and mixed-use. The 300 acres of land identified for RSIA includes some parcels larger than ten acres and one site about 50 acres in size. Developing the land identified for RSIA by multiple businesses that require sites larger than 25 or 50 acres will require site assembly.

DEVELOPING BUILT SPACE IN DAMASCUS

The City of Damascus is entering a period in which the dominant land use pattern is expected to transition from rural residential surrounding strip commercial to a more urbanized pattern of development. A significant portion of the area is currently developed. As a result, the economics of redevelopment and infill will be a key factor in determining future development patterns. But while current uses may not represent what would be considered the highest and best use of a site from a public policy perspective, redevelopment is often not viable from a market perspective.

This section focuses on commercial development, redevelopment, and infill development in Damascus. A separate memorandum, “Infill and Redevelopment Assumptions,” provides an in-depth discussion of development economics to provide additional context for this section.

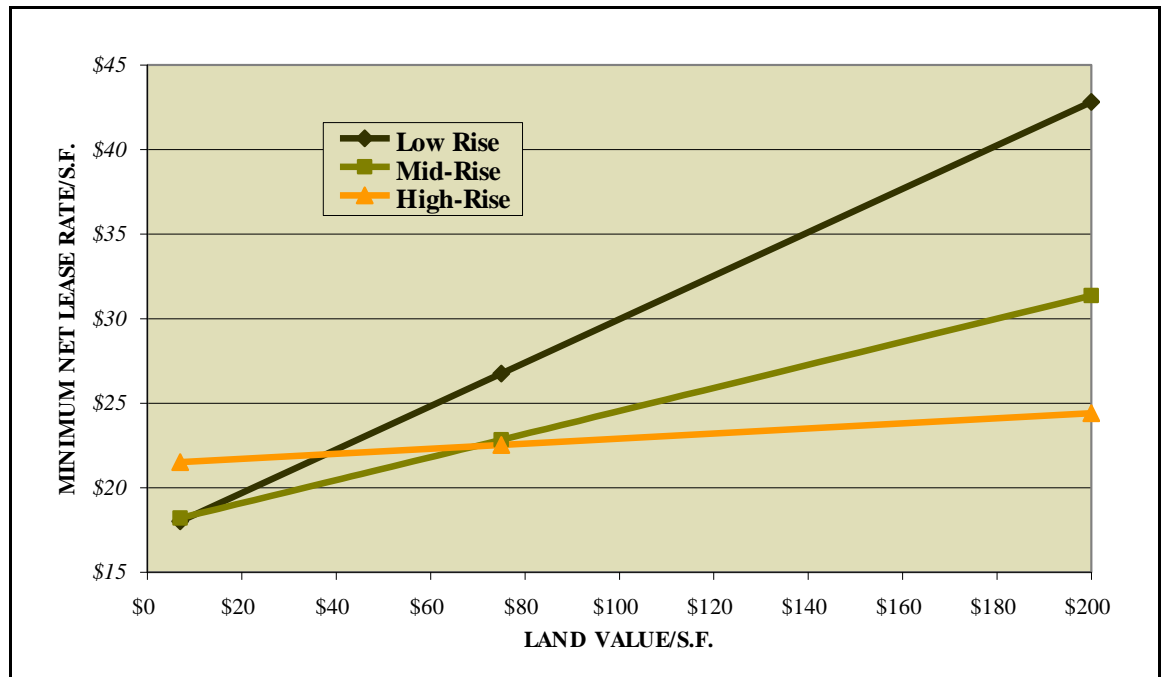
Higher-density development typically requires changes in construction types, which can yield higher costs per unit. In the case of office, wood-frame construction represents the lowest cost per square foot for new space. Construction costs per square foot tend to increase as densities increase, with higher costs associated with shifts to concrete and steel construction. In general, the increase in either sales price or achievable lease rates associated with alternative construction type is insufficient to offset the higher costs.

The key benefit from a financial perspective of changing densities through construction type is a higher yield, in terms of leasable square footage or units, associated with a particular land parcel. As a result, higher underlying land values can change the financial equation to favor higher density development forms.

Figure 4-1 summarizes an evaluation of cost estimates for alternative market rates for speculative office space: It shows minimum lease rates necessary to support alternative development types at a variety of land values. The three product types evaluated were low-rise, mid-rise and high-rise office space. Only the high-rise format included structured parking.¹⁸

¹⁸ We do not cover in depth the economics of parking forms, as land values in suburban locations are typically well below what would be necessary for structured parking to represent the highest and best use of a site. As a result, surface parking generally represents the most cost effective way to provide parking, assuming the site allows for a surface parking solution. Based on our experience with previous projects, structured parking does not become competitive with surface parking until land values approach \$65 per square foot.

Figure 4-1. Net lease rate minimums (\$/sq.ft./yr.) by land value and building type



Source: Johnson Gardner

The results of this analysis are consistent with observed development patterns within the metropolitan area. Non-subsidized mid-rise construction becomes the market choice where achievable rent levels are adequate to make this the highest and best use of the property. Mid-rise development with surface parking is generally the preferred option in the suburban location such as Sunnyside and Kruse Way, while wood frame projects are more prevalent in locations with less marketable locations.

The analysis supports a contention that the ability of the area to support higher densities is limited under current market conditions. Again, it should be noted that these limitations reflect current market conditions. Over a longer planning horizon, shifts in usage patterns and land values may substantively alter the development environment. If achievable rent levels increase substantively within the metropolitan and Damascus areas, some of the higher density development forms would become more viable. In other words, the high-density product may in fact be in demand today by consumers, but today's rent levels do not support high-density products.

There have been some efforts to allow for current development that does not preclude development at higher densities at a later time. This is an important consideration, as development under current market conditions is not expected to yield targeted densities but can limit redevelopment opportunities. Shadow platting is an approach being used by some jurisdictions. This process requires developers to design their developments to achieve targeted densities over time, while still allowing for a viable project under current market conditions.

To identify parcels with development or redevelopment potential, we used a proxy for overall value per square foot of developable property. A missing variable to-date for this type of approach is the ratio of gross to net usable acreage. In an area such as Damascus with significant slope and resource protection issues, it is difficult to determine the net developable area on any parcel. Predicted acquisition cost per net developable square foot would be necessary to develop a more reliable predictive model of redevelopment activity in the area.

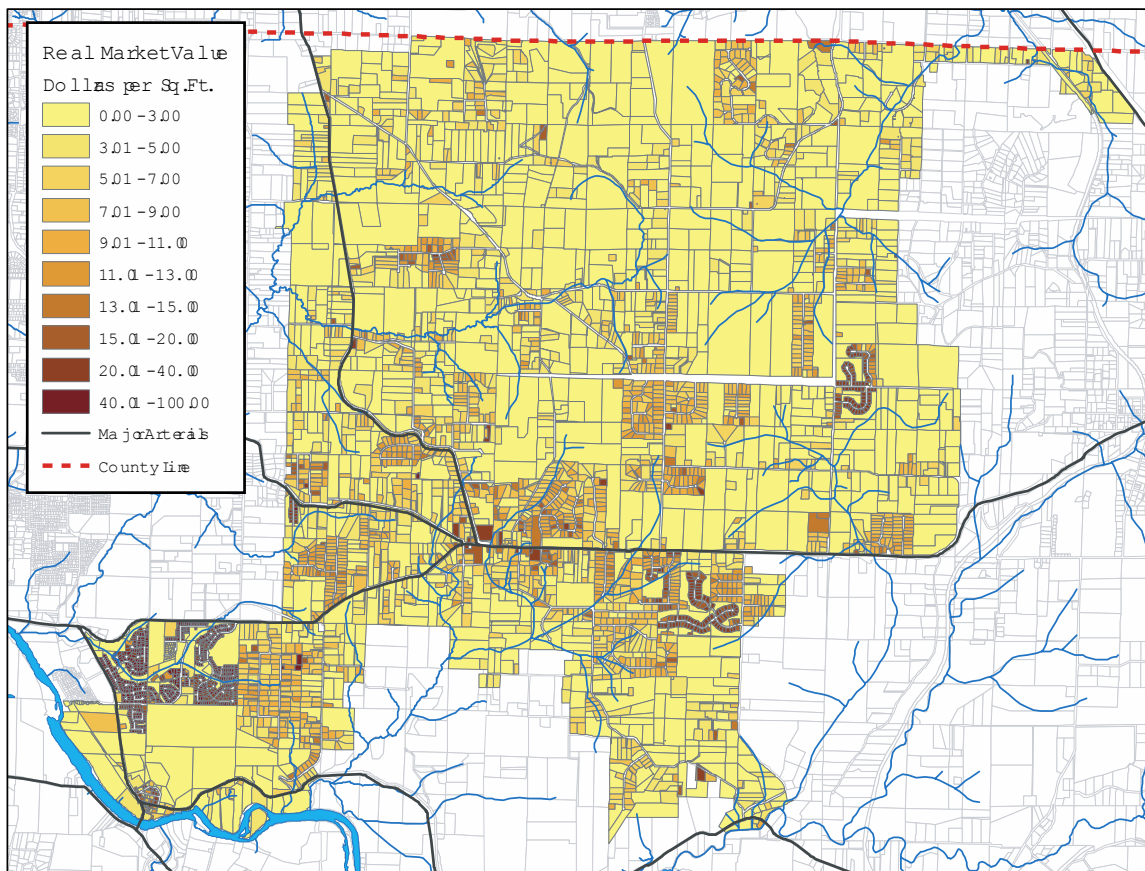
There are other factors impacting the viability and/or probability of redevelopment in the Damascus area, making it difficult to generate a reliable delineation of sites for redevelopment. Key factors include:

- **Owner disposition.** This factor includes a broad range of variables, including the property owner's level of capitalization, investment objectives, risk sensitivity, availability and terms of credit, perception of return, etc.
- **Current lease structure.** The property's current lease structure and term may either preclude major improvements or reduce the potential for realizing a return on enhancements or improvements. An example of this is often found in retail leases, which have relatively long terms with extension options.
- **Leaseholder disposition.** The leaseholder's disposition is also a contributing factor to improvements, as the leaseholder's willingness to bear the burden of increased rents associated with improvements is critical. In addition to the current leaseholder, the general market for space and the disposition of potential lessees is also an important factor impacting the viability of improving a property.

Current Land Values

Map 4-1 shows the real market value of parcels per square foot in the planning area, based on 2006 County Assessor's data. The values represent the "real market value" as determined by Clackamas County, and not the assessed value which is adjusted by law to levels that do not necessarily provide an accurate reflection of the market.

Map 4-1. Real market land value, Damascus, 2006



Source: Metro RLIS, May 2007; map by ECONorthwest

Map 4-1 demonstrates basic land value relationships. The smallest developed residential lots and key commercial properties retain the highest value per square foot. Value-per-square foot tends to fall as the volume of land increases. Thus, larger residential lots of five to ten acres will generally be worth less per square foot than an "urban density" lot of five to ten thousand square feet. This means that larger residential lots can often gain value through subdivision and more intense use.

The lowest land values will tend to be on the largest parcels under farm/nursery use, or industrial use.

Map 4-1 can provide a general guide to redevelopment opportunities in Damascus. The smaller-lot subdivisions that already exist are unlikely to

redevelop in the foreseeable future, as higher land values have been captured by multiple owners, with little or no opportunity for further sub-division.

Larger-lot subdivision may be more likely to further sub-divide and provide infill housing. This process can be difficult to predict because each parcel is subject to personal tendencies of the individual owners. Some may be willing to sell an older homestead for total demolition and redevelopment. Other parcels may contain a new home, making redevelopment unlikely, but allowing for infill or “flag lot” development. Still others may wish to retain their entire five or ten acre property for decades to come.

Large agricultural parcels are the best bet for redevelopment in the near term as demand grows. These parcels will see the highest appreciation in value if rezoned to allow residential use, and are attractive to developers due to their size.

Land Values in the Portland Region

The following is a rough estimate of the value of developable land under a series of land use types in Portland’s peripheral communities:

Office

Wood-Frame Class B - \$8 to \$12 per square foot

Retail

Large Parcels - \$10 - \$15 per square foot

Pads - \$15 - \$35 per square foot

Industrial

Single Story - \$4 - \$7 per square foot

The value ranges shown represent largely served and entitled property. As noted in the earlier section on residual land value, incremental development costs are deducted from supportable land values. With these costs and the funding mechanisms not determined to-date, it is difficult to assess the actual value of a particular parcel or range of parcels in the study area.

The implications of these land values is that anticipated development forms in the Damascus area will likely be limited in form to wood frame construction with surface parking under current market conditions. Current market values would indicate a high likelihood for redevelopment of much of the property in the Damascus area, assuming availability of services and a willing seller.

The City of Damascus should set realistic expectations over the short and long term for both the magnitude and character of growth. Requiring development forms that are not viable may reduce or preclude incremental development that contributes to long-run higher densities. Over long run, market parameters will shift. From a policy perspective, short term development should to the extent possible not preclude long term objectives

Over the planning horizon, we expect that residential demand will likely lead new development, with commercial uses following. The area is in the path of growth for residential development, but the overall market is slowing now. Commercial development in Damascus currently serves a broad trade area, and residential growth will drive marginal commercial needs. The area is not seen as representing a prime industrial or office location at this time, due to its limited regional access. Employment demand is likely to be driven by the continuance of current employment uses, and population driven expansion of firms not needing regional access. The area's strong concentration of executive housing is seen as a key advantage for attracting employment uses, offsetting to a limited extent its lack of access.

This report presented an Economic Opportunities Analysis (EOA) for the City of Damascus. The EOA identified site needs to accommodate industrial and other employment growth expected over the planning period, including estimating the number and characteristics of sites needed. This chapter summarizes key findings of the economic opportunities analysis and describes some of implications of those findings.

IMPLICATIONS FOR DAMASCUS

COMPARATIVE ADVANTAGE

The mix of productive factors present in Damascus, relative to other communities in the Portland Region and Oregon, is the foundation of the City's economic development potential. Damascus' primary comparative advantages are the proximity to the amenities and markets of Portland, Gresham, and other cities in the eastern part of the Portland Region, its location on Highway 212, and the availability of labor in the Portland Region.

Damascus currently has more disadvantages than advantages for economic development in relation to other communities in the Portland Region. As the City addresses these issues over the planning period, current disadvantages may turn to advantages as the City develops new infrastructure and services. Urban services and transportation constrain the amount and type of future employment growth within the City:

- **Lack of urban services.** The lack of water and wastewater infrastructure limits economic development opportunities in Damascus.
- **Lack of transportation infrastructure.** The lack of roads connecting Damascus with other parts of the Portland Region, especially roads suitable for freight transportation limits economic development opportunities in Damascus.

Transportation is key to employment growth. The transportation system in Damascus is inadequate to support many types of employment uses. Following is a summary of implications for Damascus:

- **Distance from an interstate highway.** Damascus' distance from an interstate highway and the relatively limited traffic capacity of Highway 212 for freight transportation via truck are disadvantages. These constraints are likely to discourage firms that depend on freight transportation, such as firms engaged in warehousing.
- **Uncertainty around the Sunrise Corridor.** It is unclear when, or if, the Sunrise Corridor will be built. The facility has profound implications for the City of Damascus. If the facility is not built, transportation will likely

become a limiting factor to future employment growth. If the facility is built, the enhanced transportation access will provide opportunities for firms that would probably seek sites in cities with better transportation access.

- **Cost of housing.** Housing affordability—particularly workforce housing—is likely to be an issue as Damascus develops. The housing needs analysis concluded that initial demand will be for single-family housing. Thus, cost of housing may be more of an issue in early years of the planning period, until Damascus begins to get more affordable multifamily housing types.
- **Constraints from natural features.** Damascus has a number of natural features that may constrain development: steep slopes, riparian corridors, and wetlands.
 - About 1,030 acres or 10% of the land in Damascus has steep slopes (25% or greater slope). The topography in Damascus, especially the buttes, may make it difficult to find large, flat sites for industrial development.
 - Damascus has a number of waterways with riparian corridors deemed significant for the purpose of Goal 5, which limits development in these areas. These waterways include tributaries to the Clackamas River—Noyer, Richardson, and Rock Creeks—and tributaries to Johnson Creek—Sunshine, Kelley, and Badger Creeks. The total area of significant riparian corridors is about 1,674 acres or 15% of land within Damascus.
 - Damascus has 23 identified Locally Significant Wetlands, accounting for 146 acres or 1.4% of land within Damascus. Damascus has three other wetlands and numerous possible wetlands of less than one-half acre in size.

The City is in the process of developing regulations for development in these areas. Regardless of how the City chooses to regulate development in these areas, they should be a consideration in the land use plan. Areas affected by these constraints will be less desirable for employment uses because they create uncertainties in the development process and raise costs.

- **Fragmentation of available parcels.** The existing low-density patterns of development may discourage firms that need large parcels of land for development, such as some types of manufacturing. Table 3-7 shows the distribution of tax lots by area within the Damascus City limits. The results show that 82% of the City's land base is in tax lots less than 20 acres. The largest tax lot in the city limits is 83.6 acres, and the City has 6 tax lots over 50 acres.

It is difficult to evaluate exactly how severe a problem this is until the City develops a comprehensive plan map—or at least identifies where the major employment areas are. Areas identified in previous conceptual maps

for employment would probably require some type of land assembly if the City desired to create sites of 100 acres or more.

GROWTH INDUSTRIES

Chapter 2 reported industries that have shown growth and business activity in Damascus, Clackamas County, and the Portland Region in the past, as well as projections for growth industries in Clackamas County. These industries are indicative of businesses that might locate or expand in Damascus. The characteristics of Damascus will affect the types businesses most likely to locate in Damascus:

- **Retail.** Damascus' growing population and availability of land is likely to attract a variety of retailers to Damascus, including: big-box retailers, food and beverage stores, restaurants, and specialty retailers.
- **Business services.** Damascus' proximity to Portland and Gresham may attract firms that provide business services, such as corporate headquarters or professional and technical services.
- **Specialty manufacturing.** The types of manufacturing businesses likely to locate in Damascus are smaller businesses (less than 50 employees) that need to be relatively close to Portland, a semi-skilled labor force, proximity to existing businesses, or proximity to agricultural production. Examples include: high-tech electronics, food processing, or other specialty manufacturing.
- **Health care services and government.** Health care and government services will grow as population increases. Damascus may attract health care services for growing population and retirees and the elderly.

POTENTIAL TARGET INDUSTRIES

Two key questions for the City of Damascus are: What kind of economic development (employment) does the City want? and, What kind of economic development (employment) is the City suited for? This study does not attempt to answer the first question—that should be part of a public process. It does, however, shed light on the second question. This section summarizes key economic opportunities identified by the EOA.

We begin with a review of economic clusters in Clackamas County. The Oregon Economic and Community Development Department identifies 26 clusters in Clackamas County. Based on the economic data presented in Chapter 2 and Damascus' comparative advantages presented in Chapter 3, the clusters may be successful or have potential growth in Damascus include:

- **Crop and Animal Production.** This cluster includes crop production and its support activities. This cluster has relatively low average annual wages (about \$20,600). This cluster experienced relatively slow growth (5% or less) between 2003 and 2005. Damascus has an existing concentration of agricultural production and high quality soils that support agriculture.

Many of these businesses will likely transition out of Damascus as urban density development occurs during the planning period.

- **Business Services.** This cluster is dominated by Professional, Scientific, and Technical Services and Employment Services. The average annual wage varies by sector, with the highest pay in Professional, Scientific, and Technical Services (about \$51,800). Employment growth these industries was moderate to fast between 2003 and 2005. Damascus' proximity to Portland and quality of life may attract business service firms.
- **Information Technology.** This cluster includes Telecommunications, Software Publishers, and Internet Service Providers. The average annual wage is above State averages. Growth in the cluster varied between 2003 and 2005, with a decrease in Telecommunications employment and increases in employment with Internet Service Providers. Firms in this cluster may be attracted to Damascus because of its proximity to Portland, availability of skilled labor, and quality of life.
- **Medical products.** This cluster includes medical and equipment supplies manufacturing. This sector has higher than average wages and had moderate employment growth during the 2003 to 2005 period. Damascus may attract firms in this cluster because of its proximity to Portland and Portland's transportation system, as well as the concentration of labor in the medical field in Happy Valley and adjacent areas.
- **Apparel and Sporting Goods design and Marketing.** This cluster includes manufacturing sporting and athletic goods, including headquarters and manufacturing. The average annual wage varies by the type of employment within the sector. Damascus' proximity to Portland and quality of life may give Damascus advantage in attracting businesses in this cluster.

The EOA not only considered economic clusters in the region but also includes a analysis of local and regional employment to develop an idea of the sectors that may form clusters in Damascus. Damascus may have an advantage in growing businesses in these sectors because of the advantages resulting from the existing clusters. These sectors include: Construction; Private Education; and Arts, Entertainment, and Recreation.

Finally, other industries will locate in Damascus as it grows. The EOA analyzed economic potential in the Retail and Service sector, the Industrial sector, and the Government sector.

Retail and Services. The State's forecast for nonfarm employment forecast for 2010 to 2020 (Table A-7) projects that more than 70% of employment growth in Region 15, Clackamas County, will be in Retail and Services.

One approach for assessing demand for retail and service establishments is to use demand thresholds based on state averages. A population threshold is derived by

dividing the population of the state by the number of establishments of a given type. This gives some indication of the number of people in a trade area that may be needed to support a particular kind of business, and in turn, point to market opportunities in the community.

Table 5-1 lists all of the retail and service businesses with a threshold of 10,000 people or less (roughly the current population in Damascus). This is not intended to be interpreted as a list of the kinds of businesses to be attracted to the City, but to indicate the character of businesses, which will help to plan an appropriate development pattern to accommodate them.

Based on this analysis and other factors, Damascus may attract the following Retail and Service industries:

- Population growth in Damascus will drive demand for services such as personal financial, professional, and medical services. Population growth will also drive growth in local government, specifically in education.
- As the City grows, Damascus may be attractive to retailers of varying sizes, from small specialty retailers to mid-size retail stores to large “category killer” retailers such as Staples or Borders Books. The larger retailers are not likely to locate in Damascus until population in the City increases substantially.
- As population grows, Damascus may be attractive to firms involved with arts and entertainment, such as a movie theater, arcade, fitness centers, or other arts and entertainment services.
- Damascus may be attractive for firms engaged in professional, scientific and technical services, such as corporate headquarters, software design, engineering, research, creative services, and other professional services.
- Damascus may be attractive to “green” businesses that produce environmentally sustainable products or services. These businesses may include small scale manufactures (e.g., food processors, personal care products, or producers of natural apparel) or providers of services (e.g., environmental nonprofits or environmentally conscious builders or contractors).
- Damascus may attract services for retirees, such as retirement facilities like active retirement communities, assisted living facilities, or traditional nursing homes.
- Damascus may attract medical services, with the growth of a medical services cluster in the Happy Valley area.

Table 5-1. Retail and service business population thresholds

NAICS	Industry	Population Threshold	Expected Number of Firms at	
			20,000 persons	35,000 persons
	Retail			
441	Motor vehicle and parts dealers	2,206	9	15
442	Furniture and home furnishings stores	3,719	5	9
443	Electronics and appliance stores	5,476	3	6
444	Building material and garden supply stores	3,640	5	9
445	Food and beverage stores	1,868	10	18
446	Health and personal care stores	5,202	3	6
447	Gasoline stations	3,885	5	9
448	Clothing and clothing accessories stores	2,383	8	14
451	Sporting goods, hobby, book and music stores	3,449	5	10
452	General merchandise stores	8,214	2	4
453	Miscellaneous store retailers	2,084	9	16
454	Nonstore retailers	6,242	3	5
	Transportation, Warehousing & Utilities			
484	Truck transportation	2,131	9	16
488	Support activities for transportation	5,898	3	5
	Information			
511	Publishing industries, except Internet	3,694	5	9
517	Telecommunications	6,130	3	5
	Finance & Insurance			
522	Credit intermediation and related activities	1,231	16	28
523	Securities, commodity contracts, investm	3,574	5	9
524	Insurance carriers and related activitie	1,383	14	25
	Real Estate Rental & Leasing			
531	Real estate	693	28	50
532	Rental and leasing services	4,427	4	7
	Professional & Business Services			
	Professional, Scientific & Technical Svcs	304	65	115
561	Administrative and support services	629	31	55
	Education & Health Services			
	Education	2,564	7	13
	Health & Social Assistance			
621	Ambulatory health care services	561	35	62
623	Nursing and residential care facilities	1,943	10	18
624	Social assistance	1,780	11	19
	Accommodations & Food Services			
721	Accommodation	2,910	6	12
722	Food services and drinking places	444	45	78
	Other Services			
811	Repair and maintenance	1,175	17	29
812	Personal and laundry services	2,064	9	16
813	Membership associations and organization	776	25	45

Source: Covered Employment and Payroll, Oregon Employment Department (number of firms), Population Research Center, PSU (population), analysis by ECONorthwest

Industrial. The State's forecast for nonfarm employment forecast for 2010 to 2020 (Table A-7) projects that growth in industrial sectors will account for one-quarter of employment growth in Region 15, Clackamas County. Damascus has comparative advantages, such as location near natural resources and proximity to Portland, that may contribute to the growth in employment in the following industries:

- Damascus may be attractive to firms engaged in manufacturing medical supplies and equipment.
- Damascus should be attractive for firms engaged in a range of specialty manufacturing, including recreational equipment, high-tech electronics and equipment, industrial equipment, furniture manufacturing, specialty apparel, and other specialty manufacturing.

Government. The State's forecast for nonfarm employment forecast for 2010 to 2020 (Table A-7) projects that growth in government will account for the smallest amount of employment growth in Region 15, Clackamas County. Damascus may see employment growth in government for the following reasons:

- Local government employment is likely to grow in Damascus as population increases. The largest growth is likely to be in K-12 education and will be directly tied to population growth.

KEY ECONOMIC DEVELOPMENT ISSUES IN DAMASCUS

The Economic Opportunities Analysis includes an overview of market trends and an assessment of local factors of production as they pertain to economic development in Damascus. This overview and assessment identified several issues which appear to have the most potential to affect economic development in Damascus over the planning period. These issues include the following:

- **Phasing of infrastructure development.** The lack of infrastructure is the most critical barrier to economic development in Damascus. Before Damascus will attract or be able to support urban-level economic activity, the City will need to have an improved transportation access within the City and with the Portland Region. Automotive transportation is essential for development nearly all businesses because they need to be able to move freight and/or have employees commute to work. Damascus also needs sanitary sewer and municipal water services before the City can develop at urban levels.

The City should work to provide infrastructure in phases, providing services to the areas with the greatest opportunities for economic or residential development first. These will include areas along Highway 212 and other major roads and potentially along the proposed Sunrise Corridor. The cost of wastewater treatment and the most cost-efficient areas to extend wastewater services to is also a key consideration. At the time this report was written, the City was still evaluating engineering options.

- **Plan for the Sunrise Corridor.** The State does not have concrete timelines for development of the Sunrise Corridor. The existence of the Sunrise Corridor will allow more intensive employment uses (office complexes, manufacturing, etc.) that would not otherwise locate in Damascus due to transportation limitations. Designating lands in strategic locations to take advantage of the Corridor will ensure that those uses can occur in the future. The City will forego options of taking advantage of the mobility

provided by the corridor if it does not plan for appropriate employment uses.

Despite the uncertainty around development of this regional transportation linkage, we recommend the City plan as if it were going to be developed. Our experience is that identifying and designating industrial sites is one of the most difficult elements of city planning. This is largely because industrial sites are intended for future industrial development—development that tends to be a lot less predictable than residential or commercial development. If the City chooses not to designate lands now with the assumption that the facility will be constructed, it will become much more difficult in the future to identify industrial lands (if they are not already developed in other uses).

If local access points are created within the corridor, they improve access to land and create opportunities for major employment sites. Such sites would include industrial uses as well as non-retail commercial uses (e.g., office parks).

- **Need to preserve land for employment uses.** The City has a limited amount of land that is suitable for large-scale industrial uses. These uses need land that is flat, not constrained by natural features or natural hazards, and is a relatively large parcel of land (20 to 50 acres or 50 acres or larger). The City should consider policies to preserve this land for industrial uses, such as designating the land light industrial or flex-tech uses.

This land will be more attractive to businesses if it has services. The City may want to consider working to have these sites certified as project-ready by the State. Other jurisdictions in Clackamas County have successfully developed business parks for small and mid-sized manufacturers, once the services were available. Examples include Pioneer Industrial Park in Canby and Four Corners Industrial Park in Molalla.

- **Consider designating land RSIA.** The Regional Significant Industrial Areas (RSIA) designation is designed to preserve large parcels of land with excellent transportation access for industrial development. Metro has expectations that Damascus will designate some land for RSIA. The Damascus Boring Concept Plan documented Metro's estimate that the Damascus and Boring areas would accommodate about 364 acres of RSIA uses. Metro hopes that the City of Damascus will designate approximately 300 net acres for RSIA. The most obvious location for an employment land preserve is along the proposed Sunrise Corridor, especially near the Rock Creek Junction.
- **Consider flexible employment designations.** The differences between commercial and industrial uses are getting blurry for many uses. A lot of industrial uses are no longer the intensive polluting industries they once were. Many cities are moving towards more flexible employment designations. Such designations would accommodate a range of

employment types including manufacturing, heavy commercial uses (e.g., auto related services), and other services.

- **Be thoughtful about commercial designations.** We assume that the City ultimately plans to develop a downtown. It will be a number of years until the population base will support a downtown. In the interim, population growth will create strong demand for retail and service land. The City needs to be strategic about how much and where such lands are located. For example, it would not be inconceivable for the City to more or less preclude development of an urban core if it allowed significant strip commercial development along Highway 212.

If the City allows a significant amount of retail to develop in the 212 corridor, it will make it more difficult to attract retail and services to a proposed town center—potentially precluding the City’s vision for a town center. We recommend the City adopt strict policies for commercial development to focus those uses in desired areas. The City should combine this with an infrastructure strategy (e.g., road and service extensions) that make it possible for commercial development to locate in desired areas. This will be challenging because traffic volumes on highway 212 will make it the most attractive location for commercial uses in the short-term.

- **Pressure to develop industrial lands for non-industrial uses.** If the City designates land for industrial preservation, the City may face pressure to convert industrial land to commercial, retail, or residential uses. Resisting this pressure may be especially difficult along the proposed Sunrise Corridor, assuming that it takes 10 to 20 years (or more) for the Sunrise Corridor to be built. However, the City will need to consider the long-term vision of development within Damascus. There are relatively few suitable locations for designating land for industrial development or establishing an RSIA. Lands designated for RSIA or industrial development are unlikely to be developed before they are serviced, which could take more than 10 years.

FRAMEWORK FOR UNDERSTANDING ECONOMIC DEVELOPMENT POLICIES AND ACTIONS

Planning for commercial and industrial land use (the location of employment)¹⁹ is inextricably linked to economic development planning. Economic development aims to increase welfare, which is to a large part dependent on income, typically coming from employment. Employment usually needs to be located within built space, which in turn needs land.²⁰ Economic development planning is to a large degree about providing the necessary conditions for likely and desired levels of employment growth, which include (but are much more extensive than) an adequate supply of commercial and industrial land.

Economic development planning goes beyond commercial and industrial land use planning. From an economic development perspective, commercial and industrial land use planning is a means to an end—a way of ensuring that adequate land is available to support economic development. Economic development itself, while depending to a large degree on employment and the income that is provided through such employment, is also concerned with environmental outcomes, quality of life, amenity, and other factors contributing to the general welfare of society.²¹

Because economic development does focus on employment growth, however, and commercial and industrial land use planning is about accommodating that employment growth, both economic development planning and commercial and industrial land use planning use many of the same tools. These tools include analytical methods to describe and predict employment (an indicator of the *demand* for land) and the *supply* of commercial and industrial land. These common tools also include public policy techniques and strategies that aim to foster economic development by promoting the availability of adequate land to meet healthy employment growth.

The key difference in approaches is that economic development planning and policy attempts to stimulate employment growth through a number of means: for example, by providing a range of comparative advantages that will attract and retain employment-generating firms within a region. Commercial and industrial land planning and policy, in contrast, focuses on one particular comparative advantage—the availability of land. In economic terms, commercial and industrial land planning and policy attempts to stimulate employment growth (demand) by

¹⁹ We recognize that not all employment is industrial or commercial, but most of it is. In urban areas, agriculture can be safely ignored. Self-employment and home-based business may be a nontrivial percentage of total employment, and it has to be included, but it is generally commercial in nature. Thus, the only big category not included under the heading of commercial and industrial is “government.” Federal, state, and municipal government, and other local governments (especially) school districts can be a significant percentage of local employment and must be dealt with. We address how later in this chapter.

²⁰ Not all employment requires built space on commercial or industrial land. Industries such as construction have many sole proprietors that are based out of residences and conduct most of their work on construction sites.

²¹ Chapter Three provides more discussion of the wider aims of economic development.

making a greater amount of suitable land available at a reasonable price. Efforts to shift the labor supply curve or the infrastructure supply curve by delivering similar value-for-money are the realm of wider economic development planning.

There are a wide range of economic development policies and actions that a city can take to affect the level and type economic development in their community. To affect economic development, any policy or action must affect a factor of production that influence business locations and job growth. Appendix A of this report describes a framework for understanding economic development strategies that describes factors that affect business locations and job growth. In short, the factors that have the most impact on business locations and job growth are:

- Labor
- Land
- Local Infrastructure
- Access to markets and materials
- Agglomerative economies (clusters)
- Quality of life
- Entrepreneurship

The supply, cost, and quality of any of these factors obviously depend on national and global market forces that local government has no influence over. But they also depend on public policy, which can generally affect these factors of production through:

- Planning
- Regulation
- Provision of public services
- Taxes
- Incentives

Research has shown that the location decisions of businesses are primarily based on the availability and cost of labor, transportation, raw materials, and capital. The availability and cost of these production factors are usually similar within a region. Most economic development strategies available to local governments only indirectly affect the cost and quality of these primary location factors.

Local governments can most directly affect tax rates, the cost and quality of public services, and regulatory policies. Economists generally agree that these factors do affect economic development, but the effects on economic development are modest. Thus, most of the strategies available to local governments have only a modest affect on the level and type of economic development in the community.

Local governments in Oregon also play a central role in the provision of buildable land through inclusion in the Urban Growth Boundary, plan designation, zoning, and provision of public services. Obviously, businesses need buildable land to locate or expand in a community. Providing buildable land alone is not sufficient to guarantee economic development in a community—market conditions must create demand for this land, and local factors of production must be favorable for business activity. The provision of serviced, buildable land is one of the most direct ways that the City of Damascus can affect the level and type of economic development in the community.

Unique to Damascus is the amount and variety of employment that is located in residential zones. This should continue to be a key strategy throughout the 20-year planning period.

POTENTIAL ECONOMIC DEVELOPMENT POLICIES AND ACTIONS

A broad range of policies and actions are available to cities in achieving local economic development objectives. The effectiveness of any individual tool or combination of tools depends on the specific objectives the municipality wants to achieve. In short, local strategies should be customized not only to meet locally defined objectives, but to recognize economic opportunities and limitations (as defined in the EOA). Positive outcomes are not guaranteed: even good programs can result in limited or modest results.

Table 5-2 identifies a range of potential economic development policies that the City of Damascus could adopt. These policies range from those closely associated with the basic functions of government (provision of buildable land and public services) to those sometimes viewed as outside the primary functions of government (such as financial incentives and business assistance). The actual policies and actions adopted by the City of Damascus will depend on the specific economic development issues and the role of the City in economic development in the community.

Table 5-2. Range of potential economic development strategies

Category/Policy	Description
Land Use	Policies regarding the amount and location of available land and allowed uses.
Provide adequate supply of land	Provide an adequate supply of development sites to accommodate anticipated employment growth with the public and private services, sizes, zoning, and other characteristics needed by firms likely to locate in Damascus.
Cut red tape	Take actions to reduce costs and time for development permits. Adopt development codes and land use plans that are clear and concise.
Public Services	Policies regarding the level and quality of public and private infrastructure and services.
Provide adequate infrastructure to support employment growth	Provide adequate public services (i.e. roads, transportation, water, and sewer) and take action to assure adequate private utilities (i.e. electricity and communications) are provided to existing businesses and development sites.
Focused public investment	Provide public and private infrastructure to identified development sites.
Communications infrastructure	Actions to provide high-speed communication infrastructure, such as developing a local fiber optic network like the one Damascus developed.
Business Assistance	Policies to assist existing businesses and attract new businesses.
Business retention	Targeted assistance to businesses facing financial difficulty or thinking of moving out of the community.
Recruitment and marketing	Establish a program to market the community as a location for business in general, and target relocating firms. Take steps to provide readily available development sites, an efficient permitting process, well-trained workforce, and perception of high quality of life.
Development districts (enterprise zones, renewal districts, etc.)	Establish districts with tax abatements, loans, subsidized infrastructure, reduced regulation, or other incentives available to businesses in the district that meet specified criteria.
Public/private partnerships	Make public land or facilities available, public lease commitment in proposed development, provide parking, and other support services.
Financial assistance	Tax abatement, waivers, loans, grants, and financing for firms meeting specified criteria. Can be targeted as desired to support goal such as recruitment, retention, expansion, family-wage jobs, or sustainable industry.
Business incubators	Create low-cost space for use by new and expanding firms with shared office services, access to equipment, and networking opportunities.
Mentoring and advice	Provide low-cost mentors and advice for local small businesses in the area of management, marketing, accounting, financing, and other business skills.
Export promotion	Assist businesses in identifying new products and export markets; represent local firms at trade shows and missions.
Workforce	Policies to improve the quality of the workforce available to local firms.
Job training	Create opportunities for training in general or implement training programs for specific jobs or specific population groups (i.e. dislocated workers).
Job access	Provide transit/shuttle service to bring workers to job sites.
Other	
Regional collaboration	Coordinate economic development efforts with the County and the State so that clear and consistent policies are developed.
Quality of life	Maintain and enhance quality of life through good schools, cultural programs, recreational opportunities, adequate health care facilities, affordable housing, and environmental amenities.

Source: ECONorthwest.

A POTENTIAL ECONOMIC DEVELOPMENT STRATEGY FOR DAMASCUS

This section outlines a potential economic development strategy for Damascus. It begins with a set of principles and then describes a phased approach to economic development.

KEY PRINCIPLES

- Damascus should **work within the market** to implement its economic development strategy. The implication of this principle are that (1) the City will not try to force economic development at inappropriate times and locations, (2) the City will make strategic investments that help guide and catalyze private investment, and (3) the City will track global, national and regional industry trends and create opportunities to respond to this trends.
- Focus on the basics. Jobs won't come if the City doesn't focus on fundamentals: **good infrastructure, good schools, and quality of life**. Other important elements include parks and greenspaces, connectivity, pedestrian and bicycle access, and other community amenities such as a library or community center.
- Infrastructure is key to economic development. The City should **coordinate infrastructure investment** with land use designations. This means that the City will plan for adequate capacity to serve growth in the long term. It also means that the City will not expect development to occur until that capacity is available and that it will seek to make that infrastructure available at points when the market can most immediately respond.
- Jobs will not come without housing. The EOA anticipates a range of economic activity in Damascus from retail and services to industrial uses. This means Damascus should plan for a range of housing types including **workforce housing** (housing that is affordable to households in the 60% to 100% of median family income range).
- Strategically let **services** lead the way. The EOA concludes that retail and service industries will develop along with population. Services include a broad range of activities, including traded sector and base industries.
- Take advantage of the rural environment. While Damascus will not always be rural, it can adopt policies that will help **maintain a rural setting**—even with urban densities. This can be accomplished through policies that restrict development in hazardous areas and protect natural resources. It can also be accomplished through good urban design and attention to vegetation, scenic vistas, and building design.
- Encourage entrepreneurial activities. Damascus currently has a lot of **home-based employment**. The City should take advantage of this and

adopt policies that support and encourage home-based occupations. Sell existing amenities: businesses and residents can enjoy access to recreation, green living, and are close to the airport. Schools, trails, and lots of semi-private meeting space options (e.g., cafes, restaurants, conf rooms, public squares, parks with services, etc) are important as well as and an infrastructure plan that supports this goal (including telecom).

- Go green. Damascus has a opportunity to be a model for **sustainable development**. It should consider approaches like green building and design, preservation of natural resources, alternative transportation, and mixed-use development. The City should consider an “eco-industrial park.”²² This strategy could reduce infrastructure costs while creating a unique environment for business.

A PHASED STRATEGY FOR ECONOMIC DEVELOPMENT

Consistent with the principles above, Damascus should consider a phased economic development strategy. Such a strategy recognizes the City’s financial and infrastructure limitations. The strategy requires patience, but also gives the City time to assess and refine its economic development strategy. The length of each phase will depend on the amount of time it takes the City to develop and begin to implement its Comprehensive Plan, as well as the time it takes to develop services.

Phase I – Support existing trends (1-5 years)

This phase should focus in the initial steps in the transition. It should accommodate the existing economic base (including the agricultural operations)—and work with that base to seek transitional strategies.

This phase would focus on entrepreneurial activities. The City should meet with proprietors of home-based businesses to assess what they need from the City to continue doing business, as well as develop and adopt a liberal home-based occupation ordinance. This process should seek direct input on how to promote and expand these activities—and more importantly, how to sustain them in the long-term.

The City should also consider development standards that allow for some expansion of services to support a growing population, but to limit retail expansion to appropriate locations. The City should expect pressure for commercial development along the Highway 212 corridor. One way to mitigate that pressure is to expand opportunities at what is the de facto city center: Highway 212 and SE Foster Road. The emphasis should be on creating amenities to support a growing population, but to avoid overbuilding retail and services in a manner that precludes development of a future city center.

²² There is a wealth of literature and case studies on Eco-industrial parks. The Smartgrowth network has compiled a series of case studies that help define the concept and how it has been applied in other communities:
http://www.smartgrowth.org/library/eco_ind_case_intro.html.

Phase II – Targeted investment (6-12 years)

This phase should focus on expanding small business opportunities, green building, and strategic infrastructure investments. Phase II is probably the most challenging phase in this strategy. It will build on Phase I—encouraging entrepreneurial activities, but marks the first major economic transition for the City. This transition should include the first major industrial or business sites, and should coincide with development of higher density housing.

The City should explore opportunities to service a major employment site (up to 100 acres) in this phase. Identifying the site may be a challenge—locations near cost-effective infrastructure may be limited and the fragmented parcelization pattern will probably be an issue.

Recruitment should focus on businesses that do not have significant transportation demands. Marketing should focus on community amenities and the City's long-term vision. If that includes a green building or sustainability component, the City should actively market those factors.

Phase III – Build the economic base (13-20 years)

Phase III will focus on developing a complete community. This would potentially include development of a city center. The economic development activities would focus on expanding amenities that support the overall vision. Expansion of small businesses would be accommodated through infrastructure improvements, additional housing, and more services.

The City would also focus on targeted traded sector industries. Since the Sunrise Corridor will not be developed during this planning horizon, the emphasis on industries with minimal transportation requirements should continue.

Review of National, State, Regional, County, and Local Trends

Appendix A

This appendix summarizes national, state, regional, county, and local trends affecting economic growth in Damascus.

LONG RUN NATIONAL TRENDS

Economic development in Damascus over the next twenty years will occur in the context of long-run national trends. The most important of these trends include:

- **The aging of the baby boom generation, accompanied by increases in life expectancy.** The number of people age 65 and older will more than double by 2050, while the number of people under age 65 will grow only 19 percent. The economic effects of this demographic change include a slowing of the growth of the labor force, an increase in the demand for healthcare services, and an increase in the percent of the federal budget dedicated to Social Security and Medicare.²³
- **Need for replacement workers.** The need for workers to replace retiring baby boomers will outpace job growth. According to the Bureau of Labor Statistics, net replacement needs will be 33.7 million job openings over the 2010-2020 period, compared with growth in employment of 21.1 million jobs. The occupations with the greatest need for replacement workers include: retail sales, food service, registered nurses, office workers and teachers.²⁴
- **The growing importance of education as a determinant of wages and household income.** According to the Bureau of Labor Statistics, a majority of the fastest growing occupations will require an academic degree, and on average they will yield higher incomes than occupations that do not require an academic degree. The fastest growing of occupations requiring an academic degree will be: health care service, computer programming, management and business services, college teachers, and architectural and engineering services. Occupations that do not require an academic degree (e.g., retail sales person, food preparation workers, and home care aides) will grow, accounting for more than two-thirds of all new jobs by 2020. These occupations typically have lower pay than occupations requiring an academic degree.²⁵

²³ The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, 2011, *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 13, 2011.

²⁴ "Occupational Employment Projections to 2010-2020," Bureau of Labor Statistics, February 2012.

²⁵ "Occupational Employment Projections to 2010-2020," Bureau of Labor Statistics, February 2012.

- **Increases in labor productivity.** Productivity, as measured by output per hour, increased over the 1995 to 2005 period. The largest increases in productivity occurred over the 1995 to 2000 period, led by industries that produced, sold, or intensively used information technology products. Productivity increased over the 2000 to 2005 period but at a slower rate than during the later half of the 1990's. The sectors that experienced the largest productivity increases over the 2000 to 2005 period were: Information, Manufacturing, Retail Trade, and Wholesale Trade.²⁶
- **Continued shift of employment from manufacturing and resource-intensive industries to the service-oriented sectors of the economy.** Increased worker productivity and the international outsourcing of routine tasks lead to declines in employment in the major goods-producing industries. Projections from the Bureau of Labor Statistics indicate that U.S. employment growth will continue to be strongest in healthcare and social assistance, professional and business services, and other service industries.. Construction employment will also grow.²⁷
- **The combination of rising energy costs, strong energy demand, and requirements to reduce emissions and increase use of renewable fuels.** Output from the most energy-intensive industries will decline, but growth in the population and in the economy will increase the total amount of energy demanded. Energy sources will diversify and the energy efficiency of automobiles, appliances, and production processes will increase. Despite increases in energy efficiency and decreases in demand for energy by some industries, demand for energy is expected to increase over the 2012 to 2035 period because of increases in population and economic activity.²⁸
- **The importance of high-quality natural resources.** The relationship between natural resources and local economies has changed as the economy has shifted away from resource extraction. Increases in the population and in households' incomes, plus changes in tastes and preferences, have dramatically increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities. Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.²⁹

Short-term national trends will also affect economic growth in the region, but these trends are difficult to predict. At times these trends may run counter to the

²⁶ Corey Holman, Bobbie Joyeaux, and Christopher Kask, "Labor Productivity trends since 2000, by sector and industry," Bureau of Labor Statistics Monthly Labor Review, February 2008.

²⁷ "Occupational Employment Projections to 2010-2020," Bureau of Labor Statistics, February 2012.

²⁸ Energy Information Administration, 2012, *Annual Energy Outlook 2012 with Projections to 2035*, U.S. Department of Energy, DOE/EIA-0383(2012), April.

²⁹ For a more thorough discussion of relevant research, see, for example, Power, T.M. and R.N. Barrett. 2001. *Post-Cowboy Economics: Pay and Prosperity in the New American West*. Island Press, and Kim, K.-K., D.W. Marcouiller, and S.C. Deller. 2005. "Natural Amenities and Rural Development: Understanding Spatial and Distributional Attributes." *Growth and Change* 36 (2): 273-297.

long-term trends described above. A recent example is the downturn in economic activity in 2007 following declines in the housing market and the mortgage banking crisis. The result of the economic downturn has been a decrease in employment related to the housing market, such as construction and real estate. Employment in these industries will recover as the housing market recovers and will continue to play a significant role in the national, state, and local economy over the long run. This report takes a long-run perspective on economic conditions (as the Goal 9 requirements intend) and does not attempt to predict the impacts of short-run national business cycles on employment or economic activity.

LONG RUN STATE TRENDS

State and regional trends will also affect economic development in Damascus over the next twenty years. The most important of these trends includes: continued in-migration from other states, distribution of population and employment across the State.

- **Continued in-migration from other states.** Oregon will continue to experience in-migration from other states, especially California and Washington. According to a U.S. Census study, Oregon had net interstate in-migration (more people moved *to* Oregon than moved *from* Oregon) during the period 1990-2010.³⁰ Oregon had an annual average of 26,290 more in-migrants than out-migrants during the period 1990-2000. The annual average dropped to 9,800 during the period 2000-2010. Most in-migrants come from California, Washington, and other western states.³¹
- **Concentration of population and employment in the Willamette Valley.** Nearly 70% of Oregon's population lives in the Willamette Valley. About 10% of Oregon's population lives in Southern Oregon and 9% lives in Central Oregon. Employment growth generally follows the same trend as population growth. Employment growth varies between regions even more, however, as employment reacts more quickly to changing economic conditions. Total employment increased in each of the state's regions over the period 1970-2006 but over 70% of Oregon's employment was located in the Willamette Valley over the period 1970-2006.
- **Change in the type of the industries in Oregon.** As Oregon has transitioned away from natural resource-based industries, the composition of Oregon's employment has shifted from natural resource based

³⁰ Portland State University Population Research Center, Population Report, Components of Population Change for 1990-2000 and 2000-2010. <http://pdx.edu/prc/annual-oregon-population-report>

³¹ Oregon Department of Motor Vehicles collects data about state-of-origin for drivers licenses surrendered by people applying for an Oregon drivers license from out-of-state. Between 2000 and 2007, about one-third of licenses surrendered were from California, 15% to 18% were surrendered from Washington, and about 17% to 19% were from the following states: Arizona, Idaho, Nevada, Colorado, and Texas.

manufacturing and other industries to service industries. The share of Oregon's total employment in Service industries increased from its 1970s average of 19% to 45% in 2011, while employment in Manufacturing declined from an average of 18% in the 1970s to an average of 10% in 2011.

- **Small businesses continue to account for over 50% of employment in Oregon.** Small business, with 100 or fewer employees, account for 51% of private sector employment in Oregon in 2009, up from about 50.2% of private employment in 2000 and down from 52.5% in 1996. Workers of small businesses typically had lower wages than the state average, with average wages of \$33,977 compared to the statewide average of for large businesses about \$45,814 in 2009.³²

The changing composition of employment has not affected all regions of Oregon evenly. Growth in high-tech and Services employment has been concentrated in urban areas of the Willamette Valley. The brunt of the decline in Lumber & Wood Products employment was felt in rural Oregon, where these jobs represented a larger share of total employment and an even larger share of high-paying jobs than in urban areas.

ECONOMIC TRENDS IN THE PORTLAND REGION AND DAMASCUS

The City of Damascus is considered part of the Portland-Vancouver-Hillsboro MSA, which is defined for statistical purposes as Clackamas, Clark, Columbia, Multnomah, Skamania, Washington and Yamhill counties. However, the great bulk of population and economic activities within this large area are located in Portland and Vancouver and their surrounding suburban and exurban communities.

The region has been growing in population and employment since the early 1990's, although the rate of population growth slowed following the 2007-2009 recession.³³ During the 2007-2009 national recession, the Portland metro area experienced a 21% drop in price from March 2007 to March 2010, less than the decline experienced by other West Coast metro areas (Seattle: 22.9%, San Francisco: -35.2%, Los Angeles: -35.5%).³⁴ New housing construction slowed considerably and has not rebounded to pre-recession levels.

³² Business Oregon, "*Economic Data Packet*"

³³ Oregon Employment Department. "Slowing Migration Puts a Dent in Portland's population growth." May 22, 2012. http://www.qualityinfo.org/olmisj/ArticleReader?p_search=portland&searchtech=1&itemid=00008170

³⁴ Oregon Employment Department. "Construction Last Out of the Recession." January 6, 2012. http://www.qualityinfo.org/olmisj/ArticleReader?p_search=portland&searchtech=1&itemid=00005457

The Oregon Office of Economic Analysis expects Oregon's housing market to recover more easily than other states that had greater increases in housing prices during the recent housing boom.³⁵

POPULATION GROWTH

Population growth in Oregon tends to follow economic cycles. Historically, Oregon's economy is more cyclical than the nation's, growing faster than the national economy during expansions, and contracting more rapidly than the nation during recessions. Oregon grew more rapidly than the U.S. in the 1990s (which was generally an expansionary period) but lagged behind the U.S. in the 1980s. Oregon's slow growth in the 1980s was primarily due to the nationwide recession early in the decade. As the nation's economic growth slowed during 2007, Oregon's population growth began to slow.

Oregon's population grew from 2.8 million people in 1990 to over 3.8 million people in 2011, an increase of more than 1 million people at an average annual rate of 1.5%. Oregon's growth rate slowed to 1.1% annual growth between 2000 and 2011.

Migration is the largest component of population growth in Oregon. Between 2000 and 2010, in-migration accounted for 61% of Oregon's population growth. In-migration accounted for 67% of Clackamas County's growth between 2000 and 2010, with a net gain of 25,121 people moving to the County during the period. In-migration accounted for a smaller share of population growth in the portion of the Portland Region within Oregon (Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties) between 2000 and 2010, accounting for 215,567 people or 50% of population growth.

Table A-1 shows population changes over the 1990-2010 period for Oregon, the Willamette Valley, Portland Region, and selected counties in the Portland Region. During the 1990-2010 period, the Portland Region³⁶ grew faster than Clackamas County, the Willamette Valley, or Oregon. The region grew at 1.9% annually and added 702,268 residents. Over the same period, Clackamas County added 97,142 people at an average rate of 1.5% annually. Population growth in Clackamas County accounted for 14% of the growth in the Portland Region.

Population estimates for Damascus were not developed until the City incorporated in 2004. In 2010, the City of Damascus had 10,539 residents according to the U.S. Decennial Census.

³⁵., Office of Economic Analysis. Oregon Economic and Revenue Forecast, March 2010, Vol. XXX, No. 1, Page 6-7. <http://www.oregon.gov/DAS/OEA/docs/economic/forecast0310.pdf>. Page 11.

³⁶ This report refers to the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA) as the Portland Region. The Portland-Vancouver-Hillsboro MSA consists of Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Table 2-1. Population in Oregon, the Willamette Valley, Portland Region, and selected counties, 1990-2010

Area	Population			Change 1990 to 2010		
	1990	2000	2010	Number	Percent	AAGR
Oregon	2,842,321	3,421,399	3,831,074	988,753	35%	1.5%
Willamette Valley	1,962,816	2,380,606	2,684,933	722,117	37%	1.6%
Portland-Van.-Hills MSA	1,523,741	1,927,881	2,226,009	702,268	46%	1.9%
Clackamas County	278,850	338,391	375,992	97,142	35%	1.5%
Damascus			10,539	NA	NA	NA

Source: U.S. Census, 1990, 2000, and 2010.

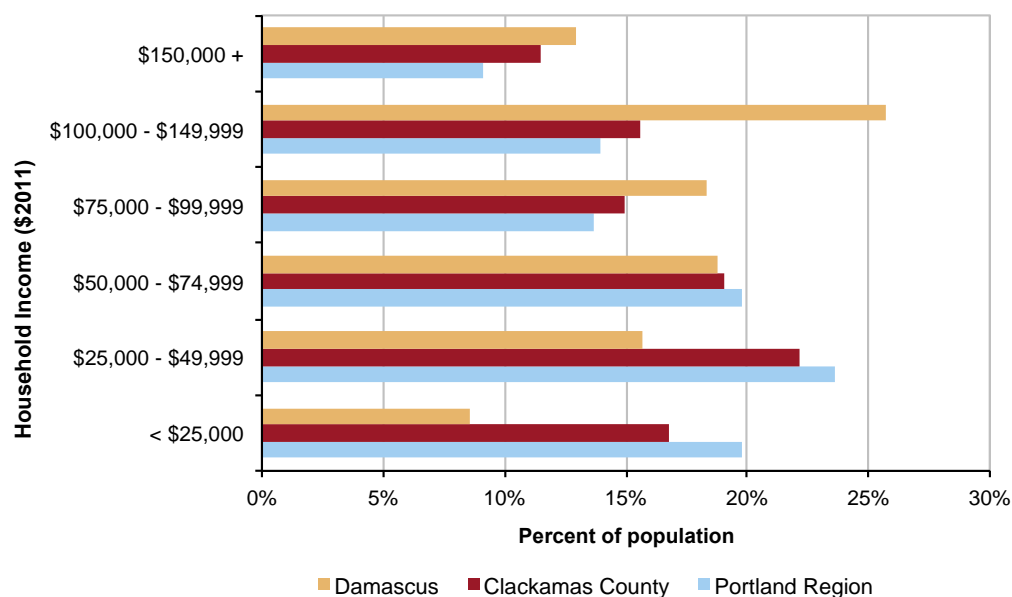
Notes: Benton, Clackamas, Lane, Linn, Marion, Multnomah, Polk, Washington, and Yamhill Counties represent the Willamette Valley Region.

PERSONAL INCOME

Residents of Clackamas County and Damascus typically have higher income compared to the State average or the Portland Region. Figure A-1 shows the distribution of household income of the Portland Region and Clackamas County in 2011. In 2011, Clackamas County had a larger share of the population with higher incomes than the Portland Region. Twenty-five percent of Clackamas County households had incomes over \$100,000 in 2011, compared to 22% of Portland households.

Median household income in the City of Damascus between 2007 and 2011 was \$83,772, higher than Clackamas County (\$63,790) or the Portland Region (\$57,307).

Figure A-1. Distribution of household income of Damascus, the Portland Region and Clackamas County, 2007-2011



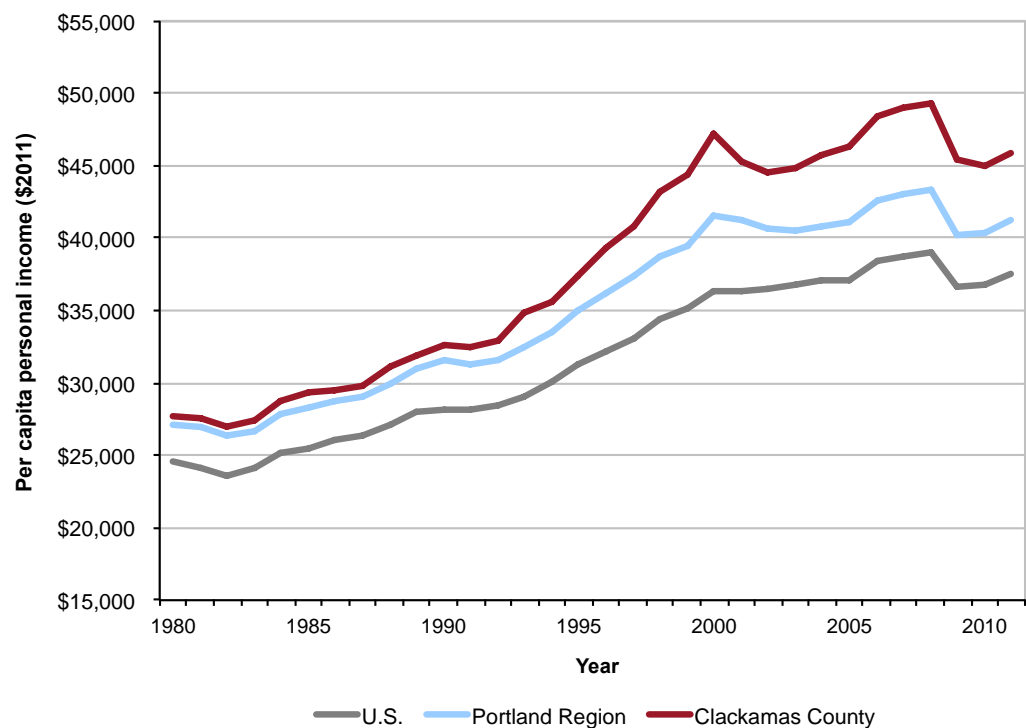
Source: American Community Survey, 2007-2011, B19001.

Figure A-2 shows the change in per capita personal income for the U.S., the Portland Region, and Clackamas County between 1980 and 2011 (in constant

2011 dollars). Portland's per capita personal income was consistently higher than the U.S. average between 1980 and 2011; the state of Oregon as a whole was consistently lower than the U.S (not shown in Figure A-4).

Clackamas County's personal income over the 31-year period was consistently higher than Portland's personal income. The gap between personal incomes in the Portland Region and personal incomes in Clackamas County widened since 1995. In 2011, per capita personal income in Clackamas County was approximately 111% of Portland's per capital personal income and 122% of the U.S. per capital income. During the 31-year period, Clackamas County's per capita personal income grew by 65%, while personal income grew by 52% in the Portland Region and 52% nationally during the same period.

Figure A-2. Per capita personal income in the U.S., the Portland Region, and Clackamas County, 1980-2011, (\$2011)



Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

EMPLOYMENT TRENDS

Employment trends in the Portland Region have mirrored national trends in the last few years. The U.S. economy is beginning to recover from its deepest recession since World War II. The recession was brought about by instability of financial and housing markets and has impacted Oregon in a variety of ways, most notably with the labor market showing high unemployment and the housing market's oversupply of homes. While the national economy may begin to recover from the recession in 2010, the recovery may be a "jobless" recovery, where job growth is sluggish, even as production of goods and services begin to increase and

the housing market begins to show signs of recovery. Oregon has seen gradual employment increases since the beginning of 2010.³⁷

According to the Oregon Office of Economic Analysis (OEA), Oregon added nearly 19,000 jobs between the second quarter of 2011 and the second quarter of 2012. Recent job growth has been slow but continuous, at about 1.2% per year, which is less than half of the average growth rate during an expansion year. The OEA predicts continued slow growth.

Tables A-2 and A-3 present data from the Oregon Employment Department that show changes in covered employment³⁸ for the Oregon portion of the Portland Region between 1980 and 2011. The changes in sectors and industries are shown in two tables: (1) between 1980 and 2000 and (2) between 2001 and 2011. The analysis is divided in this way because of changes in industry and sector classification system that made it difficult to compare information about employment collected after 2001 with information collected prior to 2000.³⁹

Employment data in this section is summarized by *sector*, each of which includes several individual *industries*. For example, the Retail Trade sector includes General Merchandise Stores, Motor Vehicle and Parts Dealers, Food and Beverage Stores, and other retail industries.

Table A-2 shows the changes in covered employment by sector in the Oregon portion of the Portland Region between 1980 and 2000. Covered employment in the region grew by 325,620 jobs over the twenty-year period, an increase of 63%. Most sectors added jobs during this period, except for Nonclassifiable/All others, which declined by 81 jobs. The sectors with the greatest positive change in employment were Services and Retail Trade, which added a combined total of 201,327 jobs or about 62% of all new jobs. The share of jobs in the Services sector increased by 10% between 1980 and 2000, while the share of Manufacturing jobs decreased by 6% in the same period.

³⁷ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2012, Vol. XXXII, No. 3., Page 6-7. <http://www.oregon.gov/DAS/OEA/docs/economic/forecast0912.pdf>

³⁸ Covered employment refers to jobs covered by unemployment insurance, which includes most wage and salary jobs but does not include sole proprietors, seasonal farm workers, and other classes of employees.

³⁹ Prior to 2001, data were organized by Standard Industrial Classification (SIC) codes. That system was completely revamped and replaced with the North American Industrial Classification System (NAICS) in 2001.

Table A-2. Change in Employment, Portland Region (Oregon portion), 1980-2000

Sector	1980	1990	2000	Change from 1980 to 2000			
				Difference	Percent	AAGR	Share
Agriculture, Forestry and Fishing	6,369	12,522	9,610	3,241	51%	2.1%	0%
Mining	534	563	613	79	15%	0.7%	0%
Construction	23,420	29,614	45,338	21,918	94%	3.4%	1%
Manufacturing	108,320	107,006	128,275	19,955	18%	0.8%	-6%
Trans., Comm., and Utilities	31,874	37,868	48,651	16,777	53%	2.1%	0%
Wholesale Trade	44,580	52,567	63,101	18,521	42%	1.8%	-1%
Retail Trade	90,989	114,435	148,565	57,576	63%	2.5%	0%
Finance, Insurance and Real Estate	37,086	41,525	54,404	17,318	47%	1.9%	-1%
Services	96,427	158,727	240,178	143,751	149%	4.7%	10%
Nonclassifiable/all others	547	293	466	-81	-15%	-0.8%	0%
Government	75,132	82,501	101,697	26,565	35%	1.5%	-2%
Total	515,278	637,621	840,898	325,620	63%	2.5%	0%

Source: Source: Oregon Employment Department. Oregon Labor Market Information System, Covered Employment & Wages. <http://www.qualityinfo.org/olmisi/CEP> Accessed March 29, 2007. Summary by industry and percentages calculated by ECONorthwest.

Note: This table shows change in employment for the Oregon portion of the Portland-Vancouver-Hillsboro MSA, which consists of Clackamas, Columbia, Multnomah, Washington, and Yamhill counties.

Table A-3 shows changes in covered employment in the Oregon portion of the Portland metropolitan region between 2000 and 2011. Employment in region increased by 6,483 jobs or 1% during this period. The sector with the largest increase in number of employees was Health and Social Assistance, which grew by 2.8% annually and increased its share of total employment by 3%. The sectors that lost the greatest number of employees during this period were Manufacturing and Construction.

Table A-3. Change in Employment, Portland Region (Oregon portion), 2001-2011

Sector	2001	2011	Change from 2001 to 2011			
			Difference	Percent	AAGR	Share
Agriculture, Forestry, Fishing & Hunting	12,849	11,369	(1,480)	-12%	-1.2%	0%
Mining	38	359	321	845%	25.2%	0%
Construction	44,170	37,737	(6,433)	-15%	-1.6%	-1%
Manufacturing	120,246	99,021	(21,225)	-18%	-1.9%	-3%
Utilities	2,714	2,088	(626)	-23%	-2.6%	0%
Wholesale	51,054	48,371	(2,683)	-5%	-0.5%	0%
Retail	91,021	87,296	(3,725)	-4%	-0.4%	-1%
Transportation & Warehousing	30,527	26,998	(3,529)	-12%	-1.2%	0%
Information	24,173	19,736	(4,437)	-18%	-2.0%	-1%
Finance & Insurance	38,671	35,596	(3,075)	-8%	-0.8%	0%
Real Estate Rental & Leasing	16,912	13,698	(3,214)	-19%	-2.1%	0%
Professional, Scientific & Technical Services	43,364	48,688	5,324	12%	1.2%	1%
Management of Companies	20,003	22,519	2,516	13%	1.2%	0%
Admin. Support & Cleaning Services	52,447	46,730	(5,717)	-11%	-1.1%	-1%
Education	13,319	19,731	6,412	48%	4.0%	1%
Health & Social Assistance	74,969	98,620	23,651	32%	2.8%	3%
Arts, Entertainment & Recreation	10,185	12,023	1,838	18%	1.7%	0%
Accommodations & Food Services	63,138	71,989	8,851	14%	1.3%	1%
Other Services (except Public Admin.)	31,759	32,821	1,062	3%	0.3%	0%
Private Non-Classified	359	269	(90)	-25%	-2.8%	0%
Government	103,061	115,801	12,740	12%	1.2%	1%
Total Covered Employment & Payroll	844,977	851,460	6,483	1%	0.1%	0%

Source: Oregon Employment Department.

Note: This table shows change in employment for the Oregon portion of the Portland-Vancouver-Hillsboro MSA, which consists of Clackamas, Columbia, Multnomah, Washington, and Yamhill counties.

Tables A-4 and A-5 show changes in covered employment in Clackamas County between 1980 and 2011. As with the data for the Portland Region, changes in employment are shown in two tables: (1) between 1980 and 2000 and (2) between 2001 and 2011.

Table A-4 shows the changes in covered employment by sector in Clackamas County between 1980 and 2000. Covered employment in the region grew by 70,954 jobs over the twenty-year period, an increase of 114%. All sectors added jobs during this period. Mirroring trends seen at the regional level, the sectors with the greatest increase in employment were Services and Retail Trade, which added a combined total of 36,945 jobs or about 52% of all new jobs. The share of jobs in the Services sector increased by 9% between 1980 and 2000, while the share of total jobs in Manufacturing decreased by 11% in the same period.

Table A-4. Change in Employment, Clackamas County, 1980-2000.

Sector	1980	1990	2000	Change from 1980 to 2000			
				Difference	Percent	AAGR	Share
Agriculture, Forestry and Fishing	1,483	3,751	5,658	4,175	282%	6.9%	2%
Mining	76	54	80	4	5%	0.3%	0%
Construction	3,653	5,026	9,397	5,744	157%	4.8%	1%
Manufacturing	15,031	15,572	18,079	3,048	20%	0.9%	-11%
Trans., Comm., and Utilities	1,905	3,227	5,128	3,223	169%	5.1%	1%
Wholesale Trade	4,144	8,850	11,288	7,144	172%	5.1%	2%
Retail Trade	12,697	21,813	27,659	14,962	118%	4.0%	0%
Finance, Insurance and Real Estate	2,605	3,863	8,226	5,621	216%	5.9%	2%
Services	9,313	17,519	31,296	21,983	236%	6.2%	9%
Nonclassifiable/all others	8	64	94	86	1075%	13.1%	0%
Government	11,188	12,529	16,152	4,964	44%	1.9%	-6%
Total	62,103	92,268	133,057	70,954	114%	3.9%	0%

Source: Oregon Employment Department. Oregon Labor Market Information System, Covered Employment & Wages. <http://www.qualityinfo.org/olmisj/CEP> Accessed March 29, 2007. Summary by industry and percentages calculated by ECONorthwest

Table A-5 presents the change in employment over the past ten years in Clackamas County. Overall, covered employment in Clackamas County grew by 2% between 2001 and 2011. In terms of the overall number of new jobs, Health & Social Assistance added the most (4,707), followed by Accommodations & Food Services (1,388), Professional, Scientific & Technical Services (1,285) and Education (1,252). Construction, Manufacturing, and Real Estate Rental & Leasing each lost over 1,000 jobs between 2000 and 2011.

Between 2001 and 2011, employment in Clackamas County grew faster than at the regional level (2% and 1% respectively). Over the 10-year period, employment growth in Clackamas County accounted for 51% of jobs added in the Oregon portion of the Portland metropolitan area. All of the sectors that added jobs between 2001 and 2011 at the regional level also added jobs in Clackamas County. Several sectors—Wholesale Trade, Information, and Administrative Support & Cleaning Services—added jobs in Clackamas County between 2001 and 2011 despite decreasing employment at the regional level.

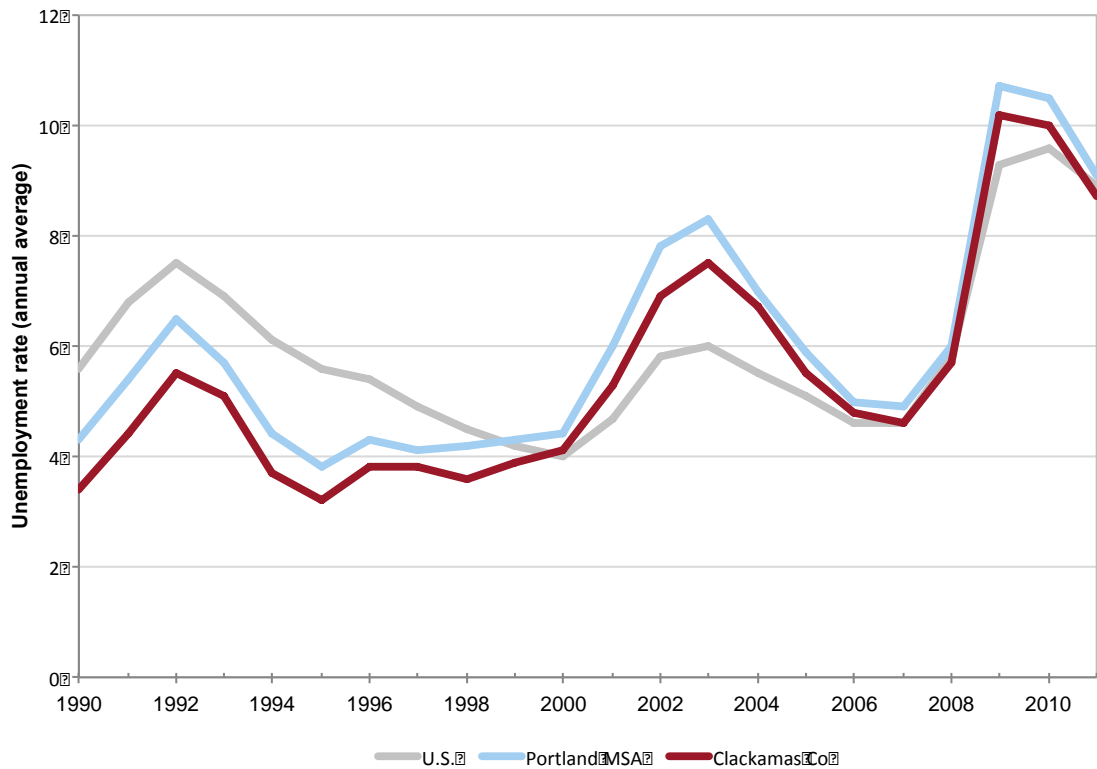
Table A-5. Change in Employment, Clackamas County, 2001-2011.

Sector	2001	2011	Change from 2001 to 2011			
			Difference	Percent	AAGR	Share
Agriculture, Forestry, Fishing, & Mining	4,167	3,987	(180)	-4%	-0.4%	0%
Construction	9,324	8,320	(1,004)	-11%	-1.1%	-1%
Manufacturing	18,187	15,997	(2,190)	-12%	-1.3%	-2%
Wholesale	10,384	10,485	101	1%	0.1%	0%
Retail	17,648	16,680	(968)	-5%	-0.6%	-1%
Transportation, Warehousing & Utilities	4,439	4,105	(334)	-8%	-0.8%	0%
Information	1,725	1,888	163	9%	0.9%	0%
Finance & Insurance	5,186	4,845	(341)	-7%	-0.7%	0%
Real Estate Rental & Leasing	3,115	2,107	(1,008)	-32%	-3.8%	-1%
Professional, Scientific & Technical Services	5,569	6,854	1,285	23%	2.1%	1%
Management of Companies	1,078	1,452	374	35%	3.0%	0%
Admin. Support & Cleaning Services	6,636	6,764	128	2%	0.2%	0%
Education	1,112	2,364	1,252	113%	7.8%	1%
Health & Social Assistance	11,910	16,617	4,707	40%	3.4%	3%
Arts, Entertainment & Recreation	1,681	1,935	254	15%	1.4%	0%
Accommodations & Food Services	9,835	11,223	1,388	14%	1.3%	1%
Other Services (except Public Admin.)	5,426	5,437	11	0%	0.0%	0%
Private Non-Classified	79	61	(18)	-23%	-2.6%	0%
Government	16,497	16,209	(288)	-2%	-0.2%	-1%
Total Covered Employment & Payroll	133,998	137,330	3,332	2%	0.2%	0%

Source: Oregon Employment Department.

Figure A-3 shows that annual unemployment rates between 1990 and 2011 for Clackamas County, the Portland Region, and the country. Unemployment in the region follows the same basic trajectory as the national trend, but differs in magnitude. During the 1990s, unemployment remained roughly one point below the national average. However, since 2000, regional unemployment has hovered above the national average, by as much as 2 percentage points. The unemployment rate in Clackamas County has historically remained slightly below the rate for the Portland Region as a whole. In the most recession, unemployment in Clackamas County and the Portland Region peaked in March 2010, at 11.1% and 11.7% respectively. In October 2012, the unemployment rate was 7.5% in Clackamas County and the Portland Region.

Figure A-3. Annual unemployment rates, U.S., Portland Region, and Clackamas County, 1990-2011



Source: United States Department of Labor Statistics

HOME-BASED EMPLOYMENT

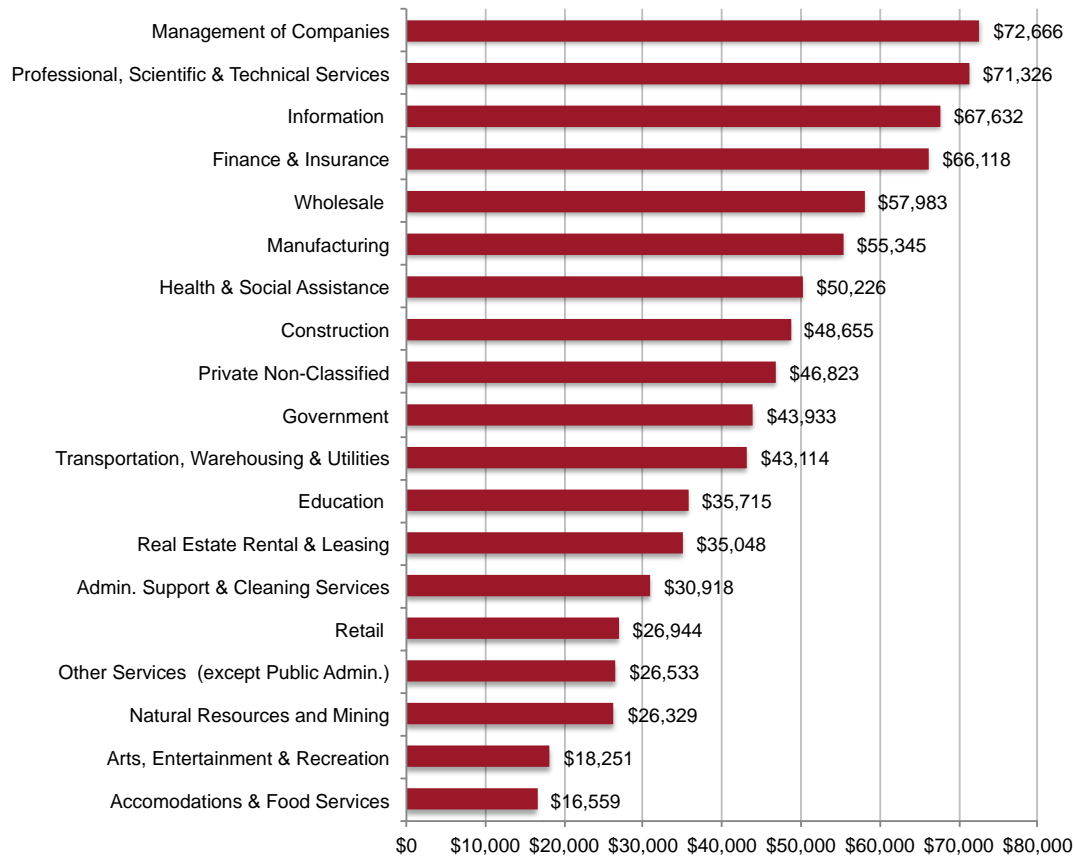
Damascus features a higher percentage of workers who report working from home than at the regional, state, or national level. The 2007-2011 American Community Survey estimated that 7.1% of Damascus workers work at home, compared to 7.8% of Clackamas County workers, 6.1% of Portland region workers, 6.3% of Oregon state workers, and 4.2% nationwide.

AVERAGE WAGE BY INDUSTRY

Across all industries, the average covered wage in the Oregon portion of the Portland Region has displayed notable appreciation. The average wage has risen from \$37,846 in 2001 to \$49,411 in 2011, an increase of 31%, or a little over the rate of inflation. Industries displaying the greatest wage appreciation include Wholesale Trade (48%), Manufacturing (40%), and Information (39%). Wages in Retail Trade and Arts, Entertainment, & Recreation failed to keep pace with inflation.

Figure A-4 displays the annual wage by industry in Clackamas County in 2011.

Figure A-4. Average Annual Wage by Industry, Clackamas County, 2011



Source: Oregon Employment Department, OLMIS Covered Employment and Wages

EMPLOYMENT IN DAMASCUS

Table A-6 shows covered employment by sector and industry within the City of Damascus for 2010. The data in Table A-6 is based on confidential records for individual employers provided to the Oregon Employment Department. Table A-6 does not report employment in sectors where there were fewer than three firms or where one firm accounts for greater than 80% of employment in order to maintain the confidentiality of individual employers.

Table A-6 shows that Damascus had 290 establishments with 1,588 covered workers. Between 2005 and 2010, Damascus' employment decreased by 348 jobs or 22%, compared loss of 2% of employment in the Portland Region. Businesses in Damascus were generally smaller than the Regional average, with 4.3 employees per establishment compared to the Regional average of 14 employees per establishment.

The sectors with the largest level of employment in 2010 were Agriculture, Construction, and Retail. Together these sectors accounted for 731 jobs or about 59% of employment in Damascus.

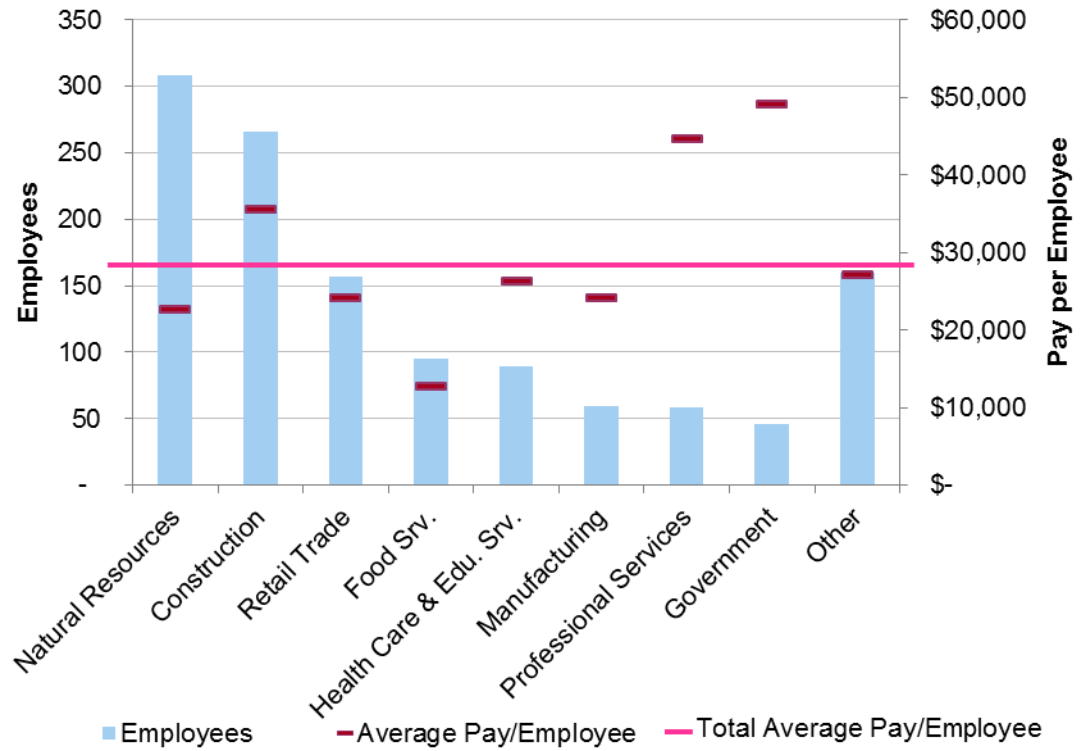
Table A-6. Covered employment in the City of Damascus by sector and industry, 2010

Sector / Industry	Establish-ments	Employees		Payroll	
		Number	% of Total	Total	Average Pay/Emp.
Agriculture, Forestry, and Mining	14	308	25%	\$ 6,955,338	\$ 22,582
Crop Production	11	295	24%	\$ 6,358,533	\$ 21,554
Other Agriculture, Forestry, and Mining	3	13	1%	\$ 596,805	\$ 45,908
Construction	103	266	21%	\$ 9,473,045	\$ 35,613
Construction of Buildings	28	43	3%	\$ 1,295,014	\$ 30,117
Heavy and Civil Engineering Construction	7	9	1%	\$ 536,697	\$ 59,633
Specialty Trade Contractors	68	214	17%	\$ 7,641,334	\$ 35,707
Manufacturing	10	59	5%	\$ 1,424,702	\$ 24,147
Wholesale Trade and Transportation	20	22	2%	\$ 801,094	\$ 36,413
Wholesale Electronic Markets	16	14	1%	\$ 560,680	\$ 40,049
Other Wholesale Trade	4	8	1%	\$ 240,414	\$ 96,195
Retail Trade	11	157	13%	\$ 3,793,973	\$ 24,165
Transportation and Warehousing	5	2	0%	\$ 73,009	\$ 36,505
Finance and Insurance	10	26	2%	\$ 1,187,471	\$ 45,672
Real Estate and Rental and Leasing	14	23	2%	\$ 517,626	\$ 22,505
Professional, Scientific, and Technical Srv.	31	58	5%	\$ 2,586,244	\$ 44,590
Admin., Support and Waste Mgt. Services	15	29	2%	\$ 720,393	\$ 24,841
Health Care, Social Assist., and Private Educ. Srv	15	89	7%	\$ 2,347,883	\$ 26,381
Ambulatory Health Care Services	6	32	3%	\$ 1,107,765	\$ 34,618
Other Health Care and Edu. Srv	9	57	5%	\$ 1,240,118	\$ 21,756
Arts, Entertain., Accom., and Food Srv.	13	95	8%	\$ 1,204,466	\$ 12,679
Other Services	27	60	5%	\$ 1,125,851	\$ 18,764
Religious, Grantmaking, and Similar Org.	6	26	2%	\$ 463,536	\$ 17,828
Personal and Laundry Services	3	15	1%	\$ 177,377	\$ 11,825
Repair and Maintenance	7	12	1%	\$ 415,657	\$ 34,638
Other Services	11	7	1%	\$ 69,281	\$ 9,897
Government	2	46	4%	\$ 2,261,814	\$ 49,170
Total	290	1,240	100%	\$ 34,472,909	\$ 27,801

Source: Confidential Quarterly Census of Employment and Workforce (QCEW) data provided by Metro, from the Oregon Employment Department. Summary by sector and industry, percent of total employment, and average payroll per employee by ECONorthwest.

The average pay for covered employees in 2010 was \$27,801, well below the Portland Regional average of about \$47,660. Figure A-5 shows a comparison of employment and average pay per employee by sector in 2010. Agriculture had the greatest share of employment and below average pay per employee. Construction was also a large employer in Damascus and had above average pay per employees. Most other sectors had average or below average wages, except for Government and Professional and Scientific services, which had the highest pay per employee.

Figure A-5. Employment and pay by sector, Damascus, 2010

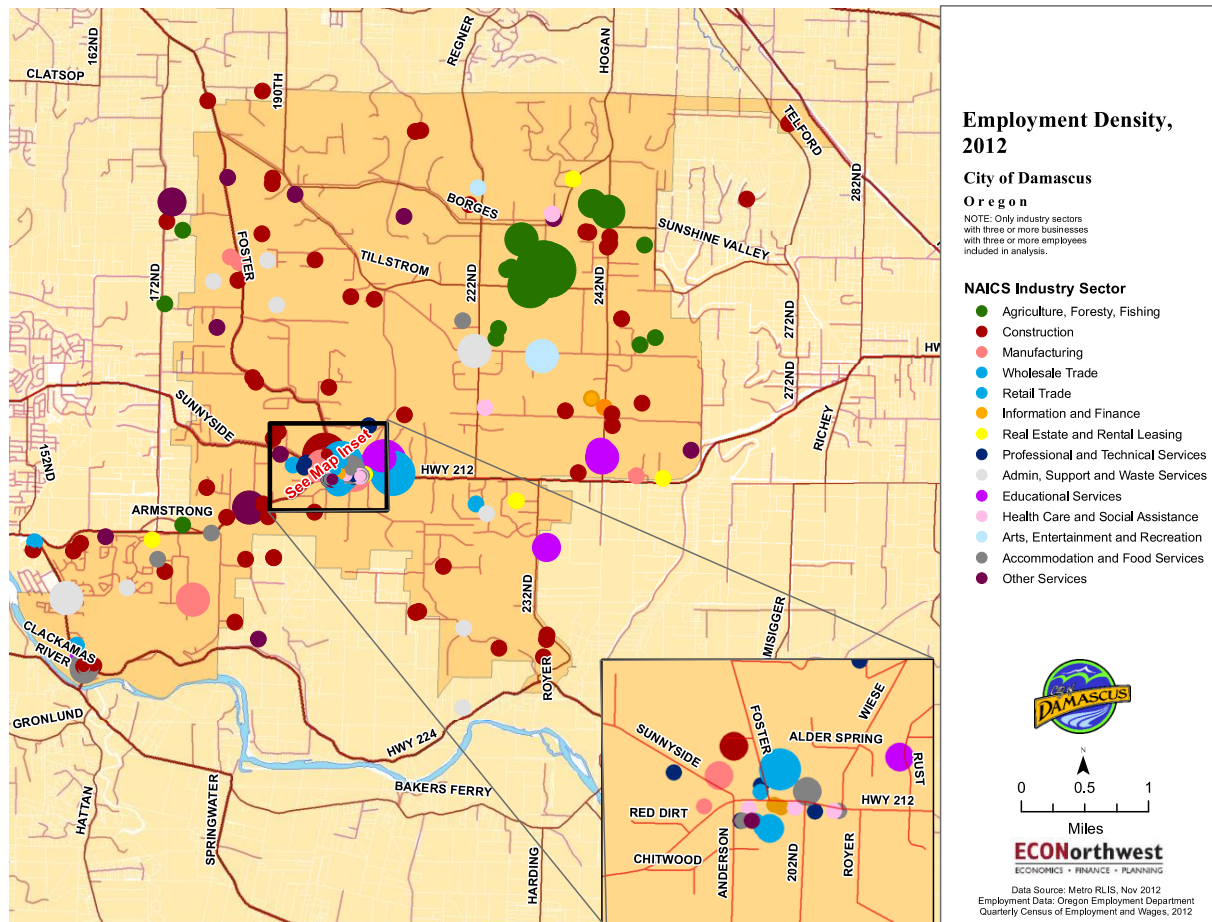


Source: Oregon Department of Employment, calculations by ECONorthwest.

Note: Other includes: Administration Support and Waste Management Services, Finance and Insurance, Real Estate, Wholesale Trade, Transportation and Warehousing, and Other Services.

Map A-1 shows places of employment in Damascus by industrial sector, according to the Oregon Employment Department. Employment is concentrated in three major areas: the Highway 212 and Sunnyside Road intersection, near the residential subdivisions and the intersection of Highway 224, and Springwater Road in the south west portion of the City.

Map A-1. Employment centers in Damascus, 2010



Source: Metro RLIS, May 2007; Oregon Department of Employment 2010; map by ECONorthwest

Map A-2 shows all of the employers in Damascus with more than four employees. While employment is distributed throughout the entire city, there are only two major employment centers. One is located on Tillstrom, between 222nd and 242nd Avenues. Much of the City's agriculture, forestry and fishing employment is located in this area. These firms are not served by major transportation routes. These firms employ local workers and commute times should not be largely adversely affected by their location.

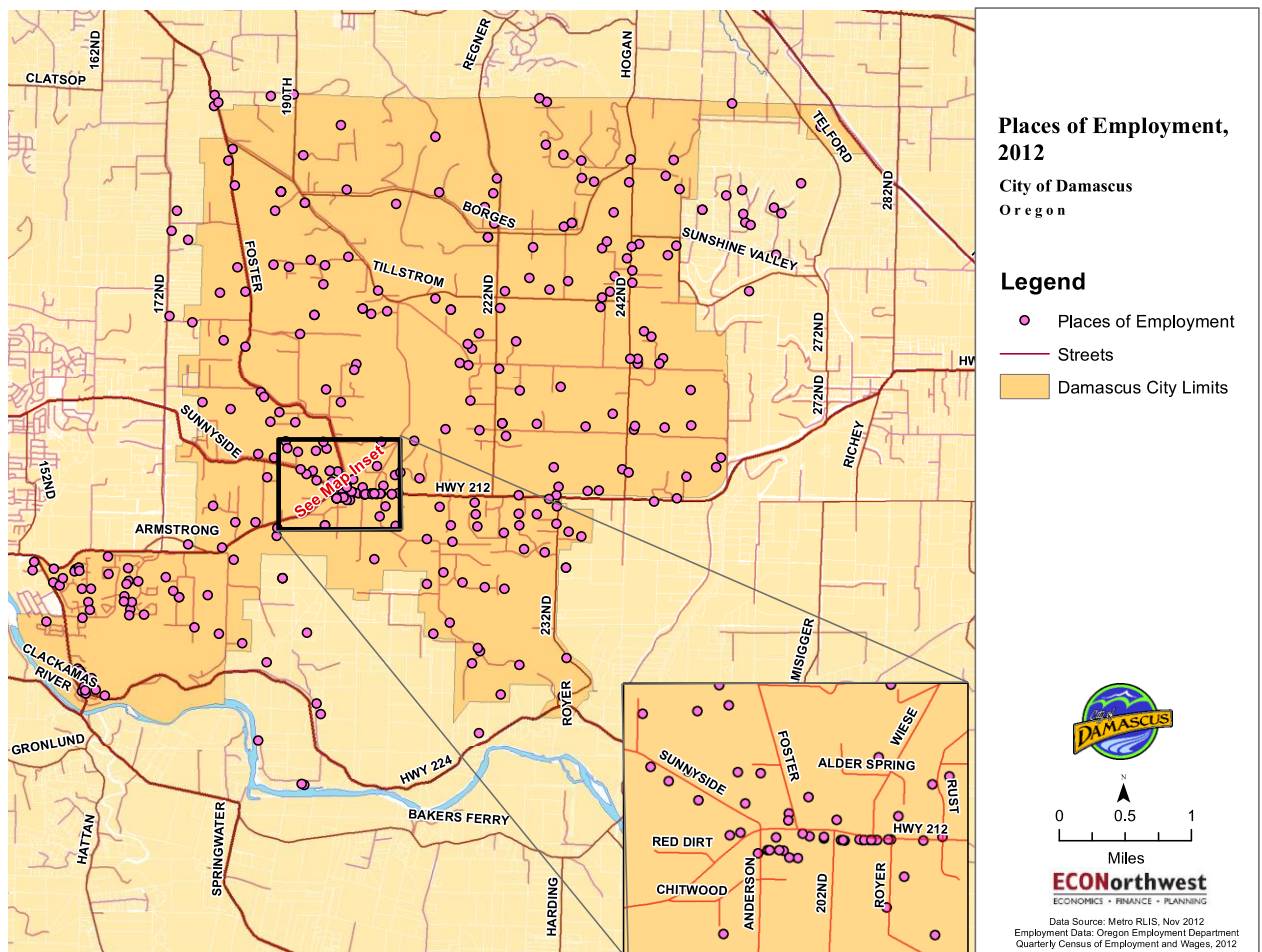
Another area for employment, shown in the Map Q-2 inset, is on Highway 212, near its intersection with Highway 224 and Foster Road. Almost all of the City's retail and wholesale trade, manufacturing, accommodation and food services, and administrative services jobs are located in this area. These businesses are served by major transportation connectors, including Highways 212 and 224, and Foster Road. Much of the remaining employment in Damascus is comprised of small firms, primarily operating in the construction sector.

Most of the retail and wholesale employers are located near the intersection of Highway 212 and Sunnyside Road. Some are located near the residential subdivisions in the southwest part of the City. These firms employ an average of

roughly 5 people. Four of the 11 food services and accommodation enterprises are located at the Highway 212 and Sunnyside Road intersection. Four more are located at the intersection of Highway 224 and Springwater Road. These firms employ an average of seven people.

Smaller firms, usually employing fewer than five people, are scattered uniformly across the rest of Damascus. Many of these are probably in-home businesses. This pattern is shown in Map A-2.

Map A-2. All employers in Damascus, 2007



Source: Metro RLIS, May 2007; Oregon Department of Employment 2010; map by ECONorthwest

EMPLOYMENT PROJECTIONS

Table A-7 shows the Oregon Employment Department projections for future growth by industry in Clackamas County for 2010 to 2020. The strongest growth is projected in Health Care & Social Assistance. Strong growth is also projected for Construction, Retail Trade, and Administration & Support Services.

Table A-7. Projected Growth by Industry, Clackamas County, 2010 – 2020

Sector/ Industry	2010	2020	Change	
			Number	Percent
Natural Resources & Mining	4,520	5,890	1,370	30.3%
Construction	8,480	11,330	2,850	33.6%
Manufacturing	15,610	17,960	2,350	15.1%
Durable Goods	12,560	14,760	2,200	17.5%
Primary and fabricated metal manufacturing	2,030	2,490	460	22.7%
Computer and electronic product manufacturing	3,140	3,590	450	14.3%
Nondurable Goods	3,050	3,210	160	5.2%
Trade, Transportation, & Utilities	31,180	36,600	5,420	17.4%
Wholesale Trade	10,360	12,140	1,780	17.2%
Retail Trade	16,360	18,930	2,570	15.7%
Food and beverage stores	3,560	4,240	680	19.1%
General merchandise stores	3,500	4,060	560	16.0%
Transp., warehousing, & utilities	4,460	5,520	1,060	23.8%
Information	2,110	2,430	320	15.2%
Leisure & Hospitality	12,800	15,580	2,780	21.7%
Arts, entertainment, recreation	1,960	2,350	390	19.9%
Accommodation & Food Services	10,840	13,230	2,390	22.0%
Accommodation	980	1,130	150	15.3%
Food srvc. and drinking places	9,850	12,100	2,250	22.8%
Financial Activities	8,430	9,750	1,320	15.7%
Finance and insurance	4,750	5,720	970	20.4%
Real estate and rental and leasing	3,690	4,030	340	9.2%
Professional & Business Services	15,210	19,970	4,760	31.3%
Professional and technical services	7,000	9,050	2,050	29.3%
Administration and support srvc.	6,560	9,100	2,540	38.7%
Education and health services	18,980	24,960	5,980	31.5%
Educational services	2,260	3,050	790	35.0%
Health Care & Social Assistance	16,720	21,920	5,200	31.1%
Other Services	4,970	5,790	820	16.5%
Government	17,030	18,210	1,180	6.9%
Federal Government	1,330	1,210	-120	-9.0%
State Government	2,370	2,480	110	4.6%
Local Government	13,330	14,520	1,190	8.9%
Total Nonfarm Payroll Emp.	139,320	168,470	29,150	20.9%

Source: Oregon Employment Department, Projections by Industry 2010-2020.

<http://www.qualityinfo.org/pubs/projections/r15.pdf>

Table A-8 presents Metro's projection for employment growth between 2010 and 2035. For the 2015 to 2035 planning period, Metro forecasts that Damascus will add 2,560 jobs. Two-thirds of the jobs will be in retail and service sectors and one-third will be in industrial sectors.

**Table A-8. Projected Employment Growth,
Damascus, 2010 – 2035**

Year	Retail	Service	Other	Total
2010	260	357	908	1,525
2015	325	471	1,053	1,849
2025	510	822	1,418	2,750
2035	902	1,613	1,894	4,409
Change 2015 to 2035				
Employees	577	1,142	841	2,560
Percent	178%	242%	80%	138%
AAGR	5.2%	6.3%	3.0%	4.4%
Change 2010 to 2035				
Employees	642	1,256	986	2,884
Percent	247%	352%	109%	189%
AAGR	5.1%	6.2%	3.0%	4.3%

Source: Metro TAZ "Gamma" Forecasts, 9/19/2012

Note: The forecast was developed by transportation analysis zones to approximate the boundaries of the City of Damascus

Note: ECO extrapolated 2015 employment based on the forecast of rate for employment growth from 2010 to 2025. For example, retail is forecast to have an average annual growth of 4.6% between 2010 and 2025. ECO used this growth rate to extrapolate that Damascus would have 325 retail jobs in 2015.